

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Zeeland</b>	County <b>Ottawa</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>10/4/05</b>	Date Accountant Report Submitted to State: <b>12/5/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Kiekover, Scholma &amp; Shumaker, PC</b>			
Street Address <b>205 East Main Street</b>	City <b>Zeeland</b>	State <b>MI</b>	ZIP <b>49464</b>
Accountant Signature		Date <b>12/5/05</b>	



# City of Zeeland, Michigan

## Comprehensive Annual Financial Report

For The Year Ended June 30, 2005

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
CITY OF ZEELAND, MICHIGAN  
For the Fiscal Year Ended June 30, 2005

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CITY COUNCIL

Lester Hoogland – Mayor

Sally Gruppen

Kevin Klynstra

Allen Dannenberg

Jim Broersma

Richard VanDorp III

Dan VanOmmen/

Sheri Holstege (appointed October 10, 2005)

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PREPARED BY  
CITY OF ZEELAND FINANCE DEPARTMENT

City of Zeeland, Michigan  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2005

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# INTRODUCTORY SECTION

November 11, 2005

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Zeeland:

The City Charter and State law require that the City publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Zeeland for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Zeeland. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Zeeland has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Zeeland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Zeeland's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Zeeland's financial statements have been audited by Kiekoover, Scholma & Shumaker, PC, an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Zeeland for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Zeeland's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. An unqualified opinion is the best opinion that an organization can receive on its financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Zeeland's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Zeeland, incorporated in 1907, is located in western Michigan, approximately 25 miles west of Grand Rapids. The population of Zeeland is 5,805 within the city's three square miles. Many more persons reside in numerous new housing developments surrounding the city. The strong work ethic is evident in the quality work force in the area, and pride is apparent in the upkeep of homes and businesses. The city is empowered to levy a property tax on both real and personal property located within its boundaries.

The city operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and six-member council. The City Council is responsible, among other things, for setting policies, approving ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager and department heads are responsible for carrying out the policies and ordinances of the governing council. The mayor and council members are elected at large. Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected every two years to a two-year term.

The City of Zeeland provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; public improvements; planning; zoning and general administrative services. The Board of Public Works, which entails the Electric Utility Fund and Water Utility Fund is not a legally separate component unit, but is reported separately from governmental activities. These business-type activities are reported separately because they rely to a significant extent on fees and charges for support, whereas the governmental activities are normally supported by taxes and intergovernmental revenues. The City Council appoints its five-member board and approves rates for user charges, their budget and any bond issuance authorizations. The legal liability for any general bonded debt remains with the city. The Electric Utility and Water Utility Funds are presented as a proprietary fund type. The Clean Water Utility Fund is directly controlled by the City Council and does not fall under the Board of Public Works. It is also reported as a proprietary fund type and combined under business-type activities. The Zeeland Building Authority is a blended component unit. Although a legally separate entity, it is in substance, part of the City's operations and is included as an integral part of the City of Zeeland's financial statements.

The City maintains budgetary controls. An annual budget is adopted in accordance with the legal requirements set forth in the Uniform Budgeting Act, State of Michigan P.A. 621 of 1978 as well as the City Charter. The annual budget serves as the foundation for the City of Zeeland's financial planning and control. All departments of the City of Zeeland are required to submit requests for appropriation to the city manager. These requests form the basis for the



development of a proposed budget. On or before March 31, the proposed budget is presented by the city manager to the City Council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than their first regular meeting in May. The budget is prepared by fund, function, activity (i.e. assessor, police patrol) and line item level. The budget is appropriated at the activity level. Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity; however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. Unexpended amounts lapse at year end; however, funding for committed capital projects is generally reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The General Fund, Major Street Fund, and Local Street Fund can be found on pages 28-31 as part of the required supplementary information for the governmental funds. For other governmental funds this comparison can be found on pages 37-47.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Zeeland operates.

**Local Economy.** The city is an industrial and commercial oriented community serving as a principal business, marketing and cultural center for the surrounding suburban and agricultural area. Industrial and commercial valuations comprise 51% of the city's ad valorem tax base of \$261,915,800. Additional tax base is provided from the industrial facilities tax on property valued at \$286,269,900 and levied at one-half the regular property tax rate. Zeeland's industrial composition is well diversified, with some 50 industries located within the corporate limits employing in excess of 10,000 persons. Included are such well-known corporations as Herman Miller, Inc., an international leader in the manufacturing of office systems furniture; Howard Miller Clock Company, one of the largest producers of grandfather clocks in the world; Gentex Corporation, a manufacturer of smoke detectors, alarm systems and automatic mirrors for automobiles; Mead Johnson & Company (Bristol-Myers), a large producer of nutritional infant formula; ITW Drawform, a stamping operation; Zeeland Chemicals, a large manufacturer of chemicals, and Mirant Zeeland, LLC an electric generating plant with a 540-megawatt combined cycle turbine facility.

**Long-Term Financial Planning.** The City's long-term financial health remains strong. The undesignated fund balance in the general fund (32% of general fund expenditures) is above the City's targeted level of 25%. This healthy fund balance is particularly noteworthy given many cities and villages throughout the State of Michigan continue to struggle along with the State's economy. In the near term, the City does not expect to use any of this fund balance as budgeted revenues exceed budgeted expenditures for Fiscal Year 2005-2006.

In fiscal year 2005/2006 the City plans to issue \$2.1 million in general obligation limited tax bonds for the construction of a new street maintenance facility. At this time it is anticipated that the City may increase its general operating tax levy by up to .4 mills to repay the annual debt on this bond issue. Should the full .4 mills be added, the additional millage would bring the City's expected general operating millage levy to 11.2854, well below its Headlee Cap of 14.1636. The City's tax rate will also continue to be lower than fourteen out of sixteen similar sized communities surveyed in the West Michigan area. Upon the completion of the street maintenance facility, the City does not expect to construct any new public facilities that support operational departments of the City (other than a Clean Water Plant expansion funded by user charges) for the foreseeable future.

The City continues to set a goal of maintaining a minimum General Fund balance of 25% of operating expenditures, including transfers to other funds. This healthy level is a means of preparing for any unforeseen economic downturns. For the foreseeable future, the City will be able to maintain its targeted 25% fund balance within the General Fund.

**Relevant Financial Policies.** With the uncertainty in the amount of State Shared Revenue the City receives from the State, the City took the position both last fiscal year and the current fiscal year to initially only budget for 50% of State Shared Community Funding (as estimated by the State of Michigan). The City expects to continue with this conservative budgeting approach as long as the State of Michigan struggles with its budget.

**Major Initiatives.** The City continues to embark on several major construction projects in the City. The City is currently completing its major street reconstruction project in 2005. This project consisted of a complete reconstruction of Main Avenue from Centennial Street to Chicago Drive. This corridor is the City's main east entrance into our recently renovated downtown area, and the reconstruction will carry the theme of our historic lamppost for the entire length of the project as a further means of attracting traffic to our downtown. The project consisted of a complete reconstruction of the street, replacement of water and sanitary sewer lines and installation of underground electric lines. In total this project will cost approximately \$2.5 million with the City not borrowing any funds to finance the project.

In the spring of 2006 the City plans to complete an extension of Cooperation Drive that will service the \$35 million plant expansion of Gentex and several other facilities within the City's industrial park. The estimated cost for this project is \$1.04 million with \$900,000 paid by Community Development Block Grants.

Along with our thriving industrial sector, the City is enhancing the commercial and residential segments of the community. Recent activity along the City's older industrial corridor has led to a revitalization of new commercial and office space in the newly zoned mixed-use Washington Avenue District. To maintain our quality housing stock, renewed efforts to establish a rental inspection ordinance appear to be on the horizon.

The City continues to work with neighboring townships on the potential expansion of the City's Clean Water Plant. Current discussions center on expanding the plant from its current capacity of 1.65 mgd to 3.4 mgd with the City and townships paying proportionate costs based on

estimated flows to the plant. Total estimated costs for the plant expansion are \$8.1 million. Plant expansion costs would be absorbed by user fees.

**Cash Management Policies and Practices.** The City of Zeeland's policy is to invest its funds in a manner that will provide the highest investment return with the maximum security, while meeting the daily cash flow needs of the City and complying with all state statutes governing the investment of public funds. Cash temporarily idle during the year was invested in certificates of deposit, repurchase agreements, obligations of the U.S Treasury and government agency obligations. The maturity of most investments was 5 years. Investment income includes appreciation or depreciation in the fair value of investments during the year. These increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The average yield on the City's investments for the year ended June 30, 2005 amounted to 3.12% (3.41% before any adjustment for changes in fair value). The average yield for the City's defined benefit pension trust was 5.9%. The pension trust outperforms the City's investments due to differences in investment regulations. Under Public Act 20 of the Michigan Compiled Laws, cities may only invest in certificates of deposit, commercial paper of investment grade and government agencies pools and obligations while the pension trusts may invest in a wider variety of investments including stocks and bonds as well as government agencies obligations.

**Risk Management.** The city carries full multi-peril insurance coverage underwritten by the Michigan Municipal League Liability and Property Pool. Insurance coverage includes comprehensive general liability, bodily injury and property damage, limited liability public official's errors and omissions, and comprehensive automobile. The city is fully insured for workers compensation claims by coverage underwritten by the Michigan Municipal Workers Compensation Fund. In addition, the Electric Utility and Water Utility Funds carry commercial insurance coverage for general liability and property loss. Risk control techniques include the use of third party claims review and investigation, third party loss control services, and employee education and training programs.

The City accounts for its health care self insurance program in an Internal Service Fund and charges out to other funds their respective share of health care self insurance costs. To protect against the financial effects of a catastrophic loss, reinsurance for the self-insured health care risk is purchased to limit City liability to \$20,000 per person per year. As with the coverage above, risk control techniques include the use of third party claims review and investigation, third party loss control services, and employee education and training programs.

The City's short-term disability risk is fully self-insured and self-administered. Long-term disability is purchased and administered by a third party.

Additional information on the City of Zeeland's risk-management activity can be found in Note 4A of the notes to financial statements.

**Pension and Other Post-Employment Benefits.** The city maintains two pension plans. The defined contribution plan was established July 1, 2000 and covers eligible employees hired after July 1, 2000 and employees hired prior to July 1, 2000 who elected to have their balances transferred from the city's defined benefit plan. The city contributes 8% of covered compensation for participants who were employed by the city before July 1, 2000 and 6% of covered compensation for participants employed after July 1, 2000. The city contributions to the plan were \$158,237 for the fiscal year.

The defined benefit pension plan is a single-employer plan administered by the city. Each year, an independent actuary calculates the amount of the annual contribution that the City of Zeeland must make to the defined benefit plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, each year the city fully funds each year's contribution as determined by the actuary. The city contributions to the plan were \$187,332 and employees contributed \$3,518.

The City of Zeeland also provides postretirement health care benefits for retirees and their spouses. From retirement age to the age of 62, the retiree pays 100% of the health care costs for the spouse. The retiree and the spouse are included in City's self-funded insurance plan including prescription coverage. From the age of 62 to 65 the City pays 100% of the retirees' portion and 50% of the spouses'. At age 65 the retiree is not eligible for inclusion in the City's health insurance plan, but the City will pay 100% of the retiree's AARP premium and 50% for the spouse. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these costs.

Additional information on the City of Zeeland's pension arrangements and postemployment benefits can be found in Notes 4C-E of the notes to financial statements.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Zeeland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The City of Zeeland has achieved a Certificate of Achievement for the last seventeen consecutive years. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

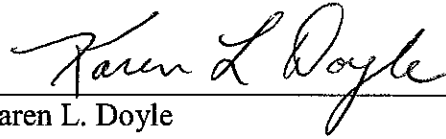
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would also like to express our appreciation to all the employees of the city who assisted and contributed to this report. Credit must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Zeeland's finances.

Respectfully submitted,



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Timothy R. Klunder  
City Manager



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Karen L. Doyle  
Finance Director/Assistant City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Zeeland,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



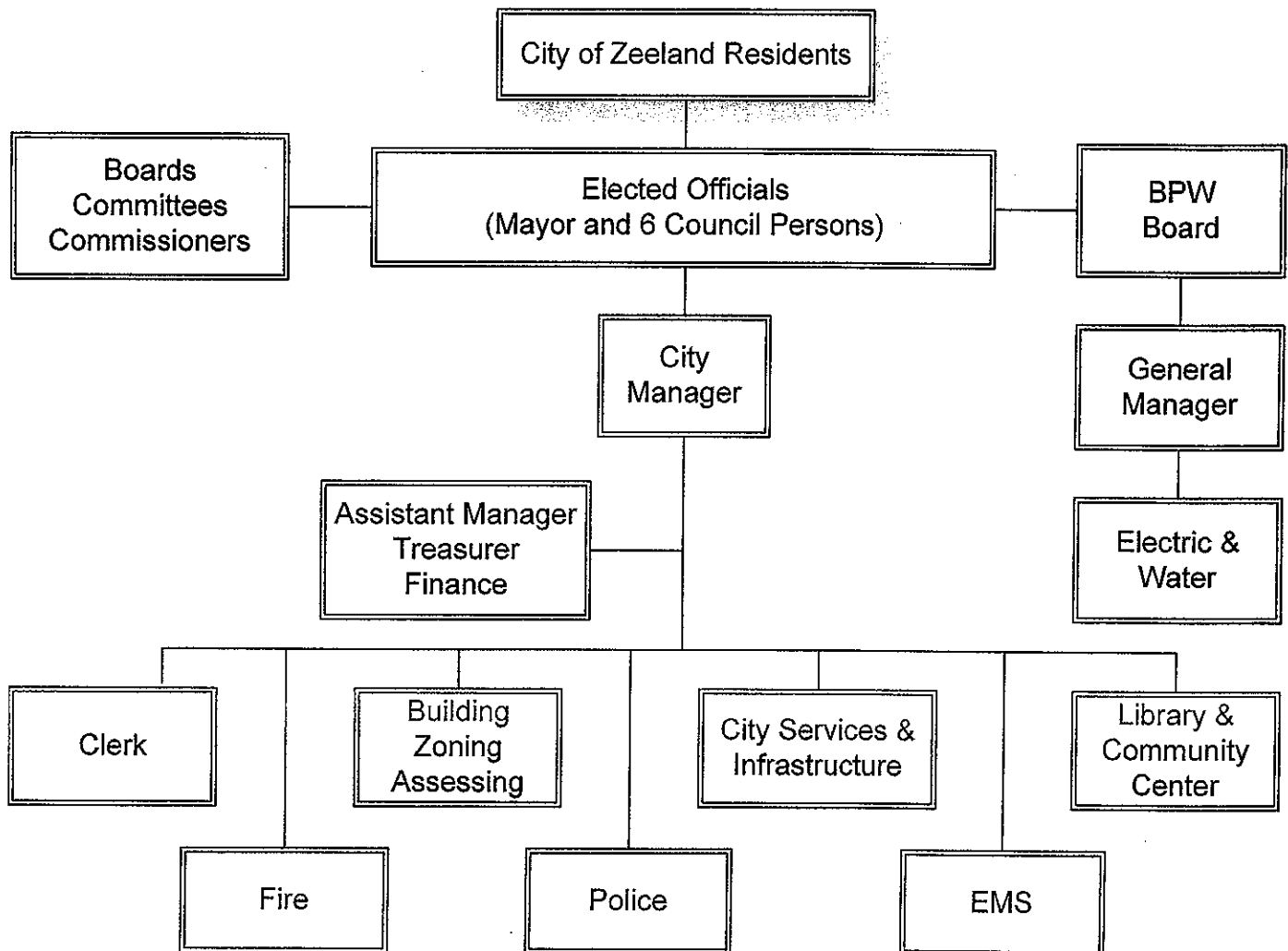
*Nancy L. Zelle*

President

*Jeffrey R. Enen*

Executive Director

## City of Zeeland, Michigan Organizational Chart



City of Zeeland, Michigan  
LIST OF ELECTED AND APPOINTED OFFICIALS  
June 30, 2005

CITY COUNCIL

Mayor	Lester Hoogland
Mayor Pro Tem	Sally Gruppen
Councilman	Kevin Klynstra
Councilman	Allen Dannenberg
Councilman	Jim Broersma
Councilman	Richard VanDorp III
Councilman	Dan VanOmmen

ADMINISTRATION

City Manager	Timothy R. Klunder
Board of Public Works General Manager	David Walters
Assistant City Manager/Finance Director	Karen L. Doyle
City Infrastructure Services Director	Steve Hallock
City Assessor/Building Official	Arthur D. Grimes
City Attorney	James Donkersloot
City Clerk	Nancy Tuls
Emergency Services Director	Ted Vanden Brink
Fire Chief	William Gruppen
Police Chief	William Olney
Library/Community Center Director	Dennis Martin



# FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

October 4, 2005

Honorable Mayor and  
Members of City Council  
City of Zeeland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Zeeland, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages XII through XXI and 29 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zeeland, Michigan basic financial statements. The introductory section, combining nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kiekover, Scholma & Shumaker, PC*

## Management's Discussion and Analysis

As management of the City of Zeeland, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-VII of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$81,927,105 (*net assets*). Of this amount, \$31,223,171 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,358,655. This increase was due in part to conservative budgetary. In the governmental activities, program revenue increased due to Community Development Block and other grants totaling \$1,141,804, awarded to defray the costs of public infrastructure accommodating new industry. Expenditures were less than revenues by \$1,836,198. In the business-type activities charges for services increased by \$1,618,266 and expenses were less than revenues by \$3,522,457.
- As of the close of the current fiscal year, the City of Zeeland's governmental funds reported combined ending fund balances of \$4,790,362, an increase of \$282,912 in comparison with the prior year. Approximately 74% of this, \$3,528,224, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,763,818 or 32 % of total general fund expenditures and transfers out.
- The City's total debt decreased by \$1,370,000 to a total of \$17,155,000 during the current fiscal year. This was a result of the City making its required scheduled debt service payments of \$1,370,000 and incurring no new debt obligations.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

*The statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Zeeland is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include electric, water and clean water operations.

The government-wide financial statements can be found on pages 1-3 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-two (22) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Streets, and Local Streets Funds. Each of these funds is considered to be a major fund. The City of Zeeland has nineteen (19) nonmajor funds. These include special revenue funds, debt service funds, capital projects funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other nineteen governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and clean water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle and equipment maintenance activities, building maintenance activities and health-care self-insurance. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service funds have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Clean Water Utility Funds, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for two types of fiduciary funds – pension trust funds and agency funds.

The City of Zeeland's pension trust fund accounts for the activities of the City's defined benefit pension plan for eligible employees. In addition, the City maintains two agency funds to account for tax collections and related payments as well as refundable customer deposits.

The basic fiduciary fund financial statements can be found on pages 10-11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the City of Zeeland's budgetary comparison schedules for its three major funds – General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 29-33 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and individual nonmajor governmental fund budgetary comparison schedules can be found on pages 34-51 of this report.

Immediately following the combining statements is a statistical section which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, demographics and other statistical data.

## Government-wide Financial Analysis

**Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Zeeland, assets exceeded liabilities by \$81,927,105 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (58%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Zeeland's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 7,165,577	\$ 6,281,739	\$ 30,575,601	\$ 27,138,950	\$ 37,741,178	\$ 33,420,689
Capital assets	19,712,135	18,779,224	45,291,005	45,196,664	65,003,140	63,975,888
Total assets	<u>26,877,712</u>	<u>25,060,963</u>	<u>75,866,606</u>	<u>72,335,614</u>	<u>102,744,318</u>	<u>97,396,577</u>
Long-term debt outstanding	2,915,000	3,145,000	14,240,000	15,380,000	17,155,000	18,525,000
Other liabilities	524,568	314,017	3,137,645	1,989,110	3,662,213	2,303,127
Total liabilities	<u>3,439,568</u>	<u>3,459,017</u>	<u>17,377,645</u>	<u>17,369,110</u>	<u>20,817,213</u>	<u>20,828,127</u>
Net assets:						
Invested in capital assets, net of related debt	16,797,135	15,634,224	31,051,005	29,816,664	47,848,140	45,450,888
Restricted	1,205,899	1,103,472	1,649,895	1,649,895	2,855,794	2,753,367
Unrestricted	5,435,110	4,864,250	25,788,061	23,499,945	31,223,171	28,364,195
Total net assets	<u>\$ 23,438,144</u>	<u>\$ 21,601,946</u>	<u>\$ 58,488,961</u>	<u>\$ 54,966,504</u>	<u>\$ 81,927,105</u>	<u>\$ 76,568,450</u>

An additional portion of the City's net assets (3.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (38%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Change in Net Assets** - The City of Zeeland's net assets increased by \$5,358,655 during the current fiscal year. 34% of this increase is related to the governmental activities. The other 66% is associated with the business-type activities.

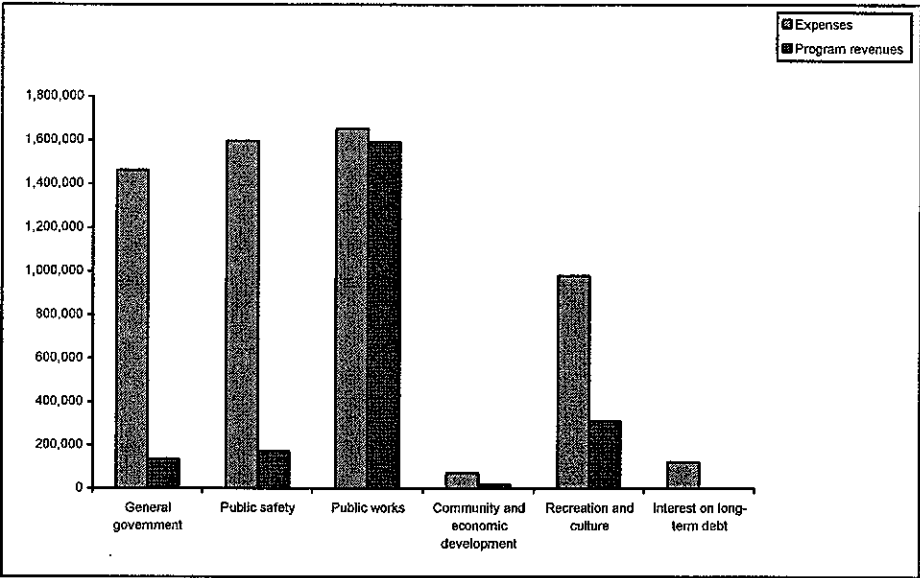
### City of Zeeland's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Program revenues</b>						
Charges for services	\$ 407,925	\$ 233,928	\$ 21,839,328	\$ 20,221,062	\$ 22,247,253	\$ 20,454,990
Operating grants and contributions	668,186	688,041	-	-	668,186	688,041
Capital grants and contributions	1,153,192	101,079	530,834	407,909	1,684,026	508,988
<b>General revenues</b>						
Property taxes	4,295,400	4,412,908	-	-	4,295,400	4,412,908
State shared revenues	571,833	578,090	-	-	571,833	578,090
Interest	199,875	161,918	731,551	58,342	931,426	220,260
Other	36,192	181,143	55,311	82,274	91,503	263,417
<b>Total revenues</b>	<u>7,332,603</u>	<u>6,357,107</u>	<u>23,157,024</u>	<u>20,769,587</u>	<u>30,489,627</u>	<u>27,126,694</u>
<b>Program expenses</b>						
General government	1,464,461	1,491,032	-	-	1,464,461	1,491,032
Public safety	1,596,297	1,569,481	-	-	1,596,297	1,569,481
Public works	1,653,600	1,678,934	-	-	1,653,600	1,678,934
Community and economic development	69,799	81,503	-	-	69,799	81,503
Recreation and culture	979,687	911,645	-	-	979,687	911,645
Interest on long-term debt	122,436	132,072	-	-	122,436	132,072
Electric	-	-	15,525,207	13,623,753	15,525,207	13,623,753
Water	-	-	2,611,241	2,639,329	2,611,241	2,639,329
Clean water	-	-	1,154,119	1,200,559	1,154,119	1,200,559
<b>Total expenses</b>	<u>5,886,280</u>	<u>5,864,667</u>	<u>19,290,567</u>	<u>17,463,641</u>	<u>25,176,847</u>	<u>23,328,308</u>
<b>Change before contributions and transfers</b>	<u>1,446,323</u>	<u>492,440</u>	<u>3,866,457</u>	<u>3,305,946</u>	<u>5,312,780</u>	<u>3,798,386</u>
Contributions to permanent funds	45,875	29,755	-	-	45,875	29,755
Transfers in (out)	<u>344,000</u>	<u>341,929</u>	<u>(344,000)</u>	<u>(341,929)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>\$ 1,836,198</u>	<u>\$ 864,124</u>	<u>\$ 3,522,457</u>	<u>\$ 2,964,017</u>	<u>\$ 5,358,655</u>	<u>\$ 3,828,141</u>

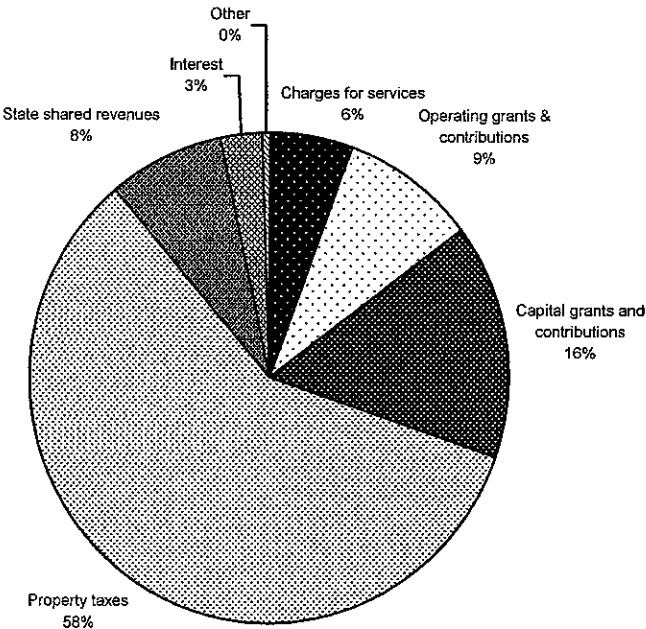
**Governmental activities.** Governmental activities increased the City's net assets by \$1,836,198, accounting for 34% of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$1,052,113 over the prior year. The City aggressively sought and received State and Federal grants to help fund public infrastructure to accommodate industrial growth.
- Property tax revenue decreased by \$117,508 (2.7%) from the prior year. This was due to an unusual delinquent personal property tax fee of \$175,878, paid last year by a large industry. This one-time fee served to inflate last year's total tax revenue.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

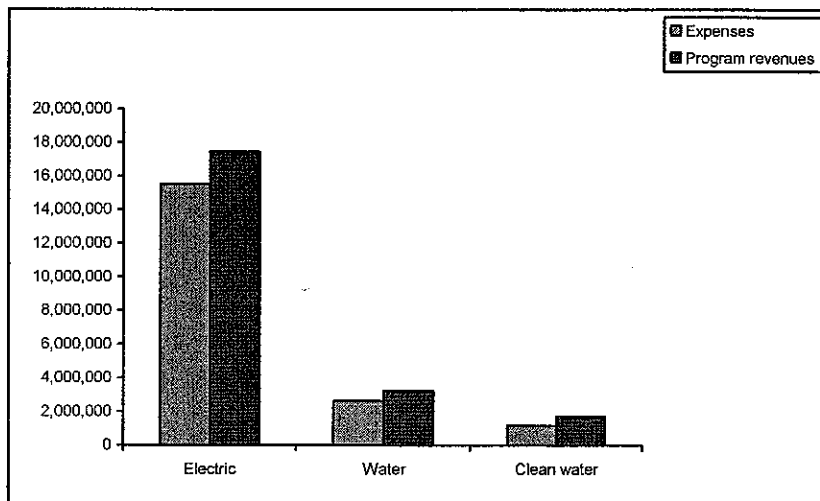




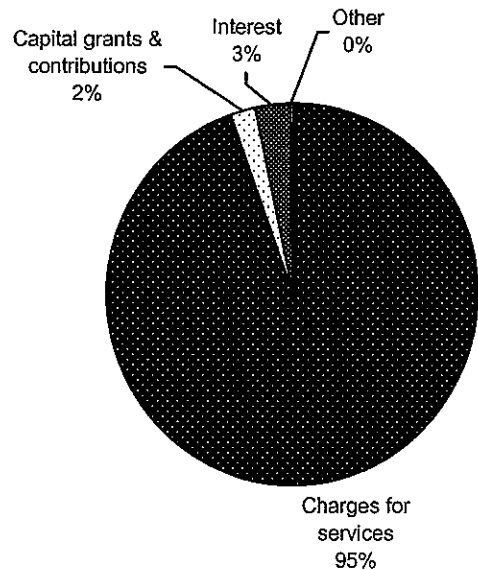
**Business-type activities.** Business-type activities increased the City of Zeeland's net assets by \$3,522,457, accounting for 66 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Interest revenue increased \$673,209 due to recovery in fair-market value of City investments, rising interest rates, as well as total dollars available for investment purposes.
- Capital grants and contributions increased by \$122,925 over the prior year. As reflected in the governmental funds also, the City aggressively sought and received State and Federal grants to help fund public infrastructure to accommodate industrial growth.

### Expenses and Program Revenues-Business-type Activities



### Revenues by Source – Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,790,362, an increase of \$282,912 from the prior year. Approximately 74% of this amount (\$3,442,158) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for prepaid items that will be used in the following year (\$56,239), (2) to pay debt service (\$99,371), (3) for purposes related to the library (\$26,223), and (4) for the maintenance of the City of Zeeland's cemetery (\$646,538 non-expendable and \$433,767 expendable).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year unreserved fund balance of the General Fund was \$1,763,818, while total fund balance was \$1,820,057. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$1,763,818) represents 32% of total General Fund expenditures and transfers out (\$5,468,896).

The fund balance of the City's General Fund decreased by \$2,723 during the current fiscal year. Key factors to this reduction are:

- Operating expenditures increased by \$105,681 or 3.3%.
- State shared revenues decreased by \$6,257 or 1.1%.
- The City continues to aggressively improve its streets and public spaces. Transfers out to other funds increased by \$234,722 or 12% over the prior year, for a total of \$2,195,200.

The Major Street Fund has a total fund balance of \$462,653, an increase of \$96,114 during the year. Net transfers in from the General Fund increased by \$142,930 over the prior year for a total of \$876,000.

The Local Street Fund has a fund balance of \$271,170, an increase of \$129,037 during the year. Net transfers in from the General Fund increased by \$263,633 over the prior year for a total of \$331,133.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Electric, Water and Clean Water Utility Funds at the end of the year amounted to \$18,838,600, \$2,622,762 and \$4,135,054, respectively. Increases in the Electric, Water, and Clean Water Utility Funds net assets during the current year were \$2,054,766, \$745,390 and \$658,546, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

During the year there was a \$282,950 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$135,000 supplemental appropriation to transfers out to provide City matching funds for state and federal grants.
- \$45,000 supplemental appropriation to attorney services involving a police matter.
- \$26,700 supplemental appropriation to the accounting and treasury departments for expenditures related to the resignation of the Finance Director/Treasurer and related increases in contracted financial services.
- \$27,500 supplemental appropriation to the data processing department as a result of purchasing IT support in blocks and consolidating data processing to its own department rather than a function of each activity.

## Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$65,003,140 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was \$932,911 (5%) for governmental activities and \$94,341 (.2%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$225,000 purchase of land for the City's new street maintenance facility
- \$1,940,000 expended for street improvement projects
- \$2,240,000 additions to Electric, Water, and Clean water systems

Additional information on the City's capital assets can be found in note 3C on pages 21-22 of this report.

### City of Zeeland's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,340,600	\$ 1,031,055	\$ 895,038	\$ 870,286	\$ 2,235,638	\$ 1,901,341
Construction in progress	927,600	188,745	833,225	616,587	1,760,825	805,332
Land improvements	273,863	227,520	106,836	141,015	380,699	368,535
Buildings and improvements	6,975,316	7,332,811	2,419,226	2,386,053	9,394,542	9,718,864
Systems	-	-	40,733,614	40,926,621	40,733,614	40,926,621
Machinery, equipment, vehicles	1,932,891	2,134,385	303,066	256,102	2,235,957	2,390,487
Infrastructure	8,261,865	7,864,708	-	-	8,261,865	7,864,708
Total	<u>\$ 19,712,135</u>	<u>\$ 18,779,224</u>	<u>\$ 45,291,005</u>	<u>\$ 45,196,664</u>	<u>\$ 65,003,140</u>	<u>\$ 63,975,888</u>

**Long-term debt.** At the end of the current fiscal year, the City had total installment debt outstanding of \$17,155,000. Of this amount, \$2,915,000 comprises debt backed by the full faith and credit of the government (including \$115,000 of Michigan Transportation Bonds). The remainder of the City's debt represents bonds secured by specified revenue sources.

**City of Zeeland's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 2,800,000	\$ 2,995,000	\$ -	\$ -	\$ 2,800,000	\$ 2,995,000
Michigan transportation bonds	115,000	150,000	-	-	115,000	150,000
Revenue bonds	-	-	14,240,000	15,380,000	14,240,000	15,380,000
Total	<u>\$ 2,915,000</u>	<u>\$ 3,145,000</u>	<u>\$ 14,240,000</u>	<u>\$ 15,380,000</u>	<u>\$ 17,155,000</u>	<u>\$ 18,525,000</u>

General obligation debt decreased by a net amount of \$230,000 during the current year. This was a result of the City making its required scheduled debt payments of \$230,000 while incurring no new debt.

Revenue bond debt decreased by a net of \$1,140,000 during the current year. This was a result of the City making its required scheduled debt service payments of \$1,140,000 while incurring no new debt.

State statutes limit the amount of general obligation debt the City may issue to 10 percent of the state equalized value of taxable property in the City. The current debt limitation for the City is \$26,175,170, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 24-25 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2005-2006 fiscal year:

- The undesignated fund balance of \$1,763,818 in the general fund (32% of general fund expenditures) is above the City's targeted level of 25%. The City has not budgeted to use any of this fund balance as budgeted revenues exceed budgeted expenditures for fiscal year 2005-2006.
- In fiscal year 2005/2006 the City plans to issue \$2.1 million in general obligation limited tax bonds for the construction of a new street maintenance facility. At this time it is anticipated that the City may increase its general operating tax levy by up to .4 mills to repay the annual debt on this bond issue. Should the full .4 mills be added, the additional millage would bring the City's expected general operating millage levy to 11.2854, well below its Headlee Cap of 14.1636. The City's tax rate will also continue to be lower than fourteen out of sixteen similar sized communities surveyed in the West Michigan area.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 21 South Elm Street, Zeeland, MI 49464.

# Basic Financial Statements

City of Zeeland, Michigan  
STATEMENT OF NET ASSETS  
June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 6,887,505	\$ 22,649,057	\$ 29,536,562
Receivables:			
Accounts	25,506	2,471,049	2,496,555
Interest	17,554	80,254	97,808
Due from other governments	274,177	-	274,177
Internal balances	(191,645)	191,645	-
Inventories	-	402,154	402,154
Prepaid items	152,480	3,131,547	3,284,027
Restricted cash - revenue bond covenant accounts	-	1,649,895	1,649,895
Capital assets not being depreciated:			
Land	1,340,600	895,038	2,235,638
Construction in progress	927,600	833,225	1,760,825
Capital assets net of accumulated depreciation			
Land improvements	273,863	106,836	380,699
Buildings and improvements	6,975,316	2,419,226	9,394,542
Systems	-	40,733,614	40,733,614
Machinery and equipment	1,932,891	303,066	2,235,957
Infrastructure	8,261,865	-	8,261,865
 Total Assets	 <u>26,877,712</u>	 <u>75,866,606</u>	 <u>102,744,318</u>
 <b>LIABILITIES</b>			
Accounts payable	465,481	2,963,587	3,429,068
Accrued payroll	31,435	23,042	54,477
Accrued interest payable	27,652	151,016	178,668
Noncurrent liabilities:			
Due within one year	240,000	885,000	1,125,000
Due in more than one year	2,675,000	13,355,000	16,030,000
 Total Liabilities	 <u>3,439,568</u>	 <u>17,377,645</u>	 <u>20,817,213</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	16,797,135	31,051,005	47,848,140
Restricted for:			
Library	26,223	-	26,223
Debt service	99,371	1,649,895	1,749,266
Perpetual care-nonexpendable	646,538	-	646,538
Perpetual care-expendable	433,767	-	433,767
Unrestricted	5,435,110	25,788,061	31,223,171
 Total Net Assets	 <u>\$ 23,438,144</u>	 <u>\$ 58,488,961</u>	 <u>\$ 81,927,105</u>

City of Zeeland, Michigan  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Function/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,464,461	\$ 135,206	\$ -	\$ -
Public safety	1,596,297	172,126	-	-
Public works	1,653,600	24,491	413,949	1,153,192
Community and economic development	69,799	19,352	-	-
Recreation and culture	979,687	56,750	254,237	-
Interest on long-term debt	122,436	-	-	-
Total Governmental Activities	<u>5,886,280</u>	<u>407,925</u>	<u>668,186</u>	<u>1,153,192</u>
Business-type activities:				
Electric	15,525,207	17,133,817	-	301,275
Water	2,611,241	3,136,499	-	92,365
Clean water	1,154,119	1,569,012	-	137,194
Total Business-type Activities	<u>19,290,567</u>	<u>21,839,328</u>	<u>-</u>	<u>530,834</u>
Total Primary Government	<u>\$ 25,176,847</u>	<u>\$ 22,247,253</u>	<u>\$ 668,186</u>	<u>\$ 1,684,026</u>

General revenues:

- Property taxes
- Unrestricted state shared revenues
- Interest
- Gain on sale of capital assets
- Other
- Contributions to permanent funds
- Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,329,255)	\$ -	\$ (1,329,255)
(1,424,171)	-	(1,424,171)
(61,968)	-	(61,968)
(50,447)	-	(50,447)
(668,700)	-	(668,700)
(122,436)	-	(122,436)
<u>(3,656,977)</u>	<u>-</u>	<u>(3,656,977)</u>
-	1,909,885	1,909,885
-	617,623	617,623
-	<u>552,087</u>	<u>552,087</u>
-	<u>3,079,595</u>	<u>3,079,595</u>
<u>(3,656,977)</u>	<u>3,079,595</u>	<u>(577,382)</u>
4,295,400	-	4,295,400
571,833	-	571,833
199,875	731,551	931,426
8,450	2,361	10,811
27,742	52,950	80,692
45,875	-	45,875
<u>344,000</u>	<u>(344,000)</u>	<u>-</u>
<u>5,493,175</u>	<u>442,862</u>	<u>5,936,037</u>
1,836,198	3,522,457	5,358,655
<u>21,601,946</u>	<u>54,966,504</u>	<u>76,568,450</u>
<u>\$ 23,438,144</u>	<u>\$ 58,488,961</u>	<u>\$ 81,927,105</u>



City of Zeeland, Michigan  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,655,904	\$ 661,480	\$ 249,280	\$ 2,286,004	\$ 4,852,668
Receivables:					
Accounts	22,352	79	-	3,075	25,506
Interest	4,040	231	832	7,275	12,378
Due from other governments	185,402	55,517	26,591	6,667	274,177
Prepaid items	56,239	-	-	-	56,239
 Total Assets	 <u>\$ 1,923,937</u>	 <u>\$ 717,307</u>	 <u>\$ 276,703</u>	 <u>\$ 2,303,021</u>	 <u>\$ 5,220,968</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 83,100	\$ 252,838	\$ 3,563	\$ 61,831	\$ 401,332
Accrued payroll	20,780	1,816	1,970	4,708	29,274
 Total Liabilities	 <u>103,880</u>	 <u>254,654</u>	 <u>5,533</u>	 <u>66,539</u>	 <u>430,606</u>
<b>FUND BALANCES</b>					
Reserved:					
Prepaid items	56,239	-	-	-	56,239
Library	-	-	-	26,223	26,223
Debt service	-	-	-	99,371	99,371
Perpetual care-nonexpendable	-	-	-	646,538	646,538
Perpetual care-expendable	-	-	-	433,767	433,767
Unreserved-reported in:					
General Fund	1,763,818	-	-	-	1,763,818
Special Revenue Funds	-	462,653	271,170	577,914	1,311,737
Debt Service Funds	-	-	-	4,993	4,993
Capital Projects Funds	-	-	-	447,676	447,676
 Total Fund Balances	 <u>1,820,057</u>	 <u>462,653</u>	 <u>271,170</u>	 <u>2,236,482</u>	 <u>4,790,362</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,923,937</u>	 <u>\$ 717,307</u>	 <u>\$ 276,703</u>	 <u>\$ 2,303,021</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	8,922,214
Infrastructure assets	9,189,465
Prepaid items	63,390
Interest accrued on outstanding bonds is not reported in the funds	(27,652)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(2,915,000)
Internal Service Funds are included as part of governmental activities	3,415,365
 Net Assets of Governmental Activities	 <u>\$ 23,438,144</u>

City of Zeeland, Michigan  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,108,392	\$ -	\$ -	\$ 187,008	\$ 4,295,400
Licenses and permits	199,632	-	-	-	199,632
Federal grants	-	-	-	517,804	517,804
State grants	-	-	-	624,000	624,000
State shared revenues	571,833	293,877	120,072	13,350	999,132
Local unit contributions	-	-	-	232,226	232,226
Charges for services	57,052	1,366	2,558	69,991	130,967
Fines and forfeitures	34,924	-	-	23,152	58,076
Interest and rent	109,216	8,103	5,774	90,632	213,725
Other	29,244	1,490	-	35,615	66,349
Total Revenues	<u>5,110,293</u>	<u>304,836</u>	<u>128,404</u>	<u>1,793,778</u>	<u>7,337,311</u>
Expenditures:					
Current:					
General government	1,065,058	-	-	43,790	1,108,848
Public safety	1,183,683	-	-	-	1,183,683
Public works	200,998	1,035,875	274,543	1,156,648	2,668,064
Community and economic development	51,129	-	-	7,630	58,759
Recreation and culture	105,579	-	-	566,633	672,212
Insurance, bonds, and fringes	667,249	48,847	55,957	111,982	884,035
Capital outlay	-	-	-	433,058	433,058
Debt service					
Principal	-	-	-	230,000	230,000
Interest	-	-	-	113,540	113,540
Total Expenditures	<u>3,273,696</u>	<u>1,084,722</u>	<u>330,500</u>	<u>2,663,281</u>	<u>7,352,199</u>
Excess of Revenues Over (Under) Expenditures	<u>1,836,597</u>	<u>(779,886)</u>	<u>(202,096)</u>	<u>(869,503)</u>	<u>(14,888)</u>
Other Financing Sources (Uses):					
Transfers in	355,880	920,000	331,133	986,075	2,593,088
Transfers out	(2,195,200)	(44,000)	-	(56,088)	(2,295,288)
Total Other Financing Sources (Uses)	<u>(1,839,320)</u>	<u>876,000</u>	<u>331,133</u>	<u>929,987</u>	<u>297,800</u>
Net Change in Fund Balances	(2,723)	96,114	129,037	60,484	282,912
Fund Balances - July 1	<u>1,822,780</u>	<u>366,539</u>	<u>142,133</u>	<u>2,175,998</u>	<u>4,507,450</u>
Fund Balances - June 30	<u>\$ 1,820,057</u>	<u>\$ 462,653</u>	<u>\$ 271,170</u>	<u>\$ 2,236,482</u>	<u>\$ 4,790,362</u>

City of Zeeland, Michigan  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Net change in fund balances-Total Governmental Funds	\$ 282,912
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	405,397
Current year capital outlays capitalized - infrastructure capital assets	1,945,212
Current year depreciation expense on capitalized assets	(1,259,060)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end	(9,221)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Amortization of deferred bond refunding loss/issuance costs/premiums	(11,416)
Principal payments on long-term debt	230,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	2,520
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment rental, to individual funds. The net revenue (expenses) of certain internal service funds is reported with governmental activities	249,854
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Change in net assets of governmental activities	<u>\$ 1,836,198</u>
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City of Zeeland, Michigan  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2005

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
ASSETS					
Current Assets:					
Cash and investments	\$ 16,202,443	\$ 2,445,114	\$ 4,001,500	\$ 22,649,057	\$ 2,034,837
Receivables:					
Accounts	1,921,565	386,423	163,061	2,471,049	-
Interest	53,181	15,436	11,637	80,254	5,176
Inventories	350,104	52,050	-	402,154	-
Prepaid items	3,073,329	52,533	5,685	3,131,547	32,851
Total Current Assets	<u>21,600,622</u>	<u>2,951,556</u>	<u>4,181,883</u>	<u>28,734,061</u>	<u>2,072,864</u>
Noncurrent Assets:					
Restricted cash - Revenue bond covenant accounts	<u>663,000</u>	<u>986,895</u>	<u>-</u>	<u>1,649,895</u>	<u>-</u>
Capital assets:					
Land	761,721	122,611	10,706	895,038	-
Construction in progress	411,200	422,025	-	833,225	-
Land improvements	258,511	140,669	129,781	528,961	-
Buildings and improvements	2,526,745	780,934	856,571	4,164,250	-
Systems	36,869,474	19,819,795	11,845,223	68,534,492	-
Machinery and equipment	955,398	154,152	42,964	1,152,514	2,707,547
Less accumulated depreciation	<u>(19,613,860)</u>	<u>(5,924,616)</u>	<u>(5,278,999)</u>	<u>(30,817,475)</u>	<u>(1,107,091)</u>
Total Capital Assets	<u>22,169,189</u>	<u>15,515,570</u>	<u>7,606,246</u>	<u>45,291,005</u>	<u>1,600,456</u>
Total Noncurrent Assets	<u>22,832,189</u>	<u>16,502,465</u>	<u>7,606,246</u>	<u>46,940,900</u>	<u>1,600,456</u>
Total Assets	<u>44,432,811</u>	<u>19,454,021</u>	<u>11,788,129</u>	<u>75,674,961</u>	<u>3,673,320</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,704,376	217,414	41,797	2,963,587	64,149
Accrued payroll	14,935	3,075	5,032	23,042	2,161
Accrued interest payable	42,711	108,305	-	151,016	-
Current portion of long-term debt	<u>370,000</u>	<u>515,000</u>	<u>-</u>	<u>885,000</u>	<u>-</u>
Total Current Liabilities	<u>3,132,022</u>	<u>843,794</u>	<u>46,829</u>	<u>4,022,645</u>	<u>66,310</u>
Noncurrent Liabilities:					
Long-term debt, net of current portion	<u>4,935,000</u>	<u>8,420,000</u>	<u>-</u>	<u>13,355,000</u>	<u>-</u>
Total Liabilities	<u>8,067,022</u>	<u>9,263,794</u>	<u>46,829</u>	<u>17,377,645</u>	<u>66,310</u>
NET ASSETS					
Invested in capital assets, net of related debt	16,864,189	6,580,570	7,606,246	31,051,005	1,600,456
Restricted for debt service	663,000	986,895	-	1,649,895	-
Unrestricted	<u>18,838,600</u>	<u>2,622,762</u>	<u>4,135,054</u>	<u>25,596,416</u>	<u>2,006,554</u>
Total Net Assets	<u>\$ 36,365,789</u>	<u>\$ 10,190,227</u>	<u>\$ 11,741,300</u>	<u>58,297,316</u>	<u>\$ 3,607,010</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				<u>191,645</u>	
Net assets of business-type activities				<u>\$ 58,488,961</u>	

City of Zeeland, Michigan  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Operating Revenues:					
Electric sales	\$ 17,093,517	\$ -	\$ -	\$ 17,093,517	\$ -
Water sales	-	3,128,092	-	3,128,092	-
Sewage disposal charges	-	-	1,548,347	1,548,347	-
Charges for services	-	-	-	-	1,705,899
Other revenues	40,300	8,407	20,665	69,372	5,914
Total Operating Revenues	<u>17,133,817</u>	<u>3,136,499</u>	<u>1,569,012</u>	<u>21,839,328</u>	<u>1,711,813</u>
Operating Expenses:					
Electric production and purchases	11,542,027	-	-	11,542,027	-
Water production and purchases	-	1,008,161	-	1,008,161	-
Waste treatment	-	-	472,079	472,079	-
Transmission and distribution	1,683,239	289,433	79,658	2,052,330	-
Customer accounts	278,357	133,469	96,215	508,041	-
Supplies and other operating expenses	-	-	-	-	1,291,144
General and administrative	426,408	146,541	186,571	759,520	12,085
Depreciation	1,420,650	595,291	332,347	2,348,288	191,563
Total Operating Expenses	<u>15,350,681</u>	<u>2,172,895</u>	<u>1,166,870</u>	<u>18,690,446</u>	<u>1,494,792</u>
Operating Income (Loss)	<u>1,783,136</u>	<u>963,604</u>	<u>402,142</u>	<u>3,148,882</u>	<u>217,021</u>
Nonoperating Revenues (Expenses)					
Interest income	509,623	102,718	119,210	731,551	41,938
Interest expense	(212,779)	(451,097)	-	(663,876)	-
Gain (loss) on sale of capital assets	(2,889)	5,250	-	2,361	8,450
Other	20,400	32,550	-	52,950	-
Total Nonoperating Revenues (Expenses)	<u>314,355</u>	<u>(310,579)</u>	<u>119,210</u>	<u>122,986</u>	<u>50,388</u>
Income Before Contributions and Transfers	2,097,491	653,025	521,352	3,271,868	267,409
Capital contributions	301,275	92,365	137,194	530,834	-
Transfers in	-	-	-	-	46,200
Transfers out	<u>(344,000)</u>	<u>-</u>	<u>-</u>	<u>(344,000)</u>	<u>-</u>
Change in Net Assets	2,054,766	745,390	658,546	3,458,702	313,609
Net Assets - July 1	<u>34,311,023</u>	<u>9,444,837</u>	<u>11,082,754</u>		<u>3,293,401</u>
Net Assets - June 30	<u>\$ 36,365,789</u>	<u>\$ 10,190,227</u>	<u>\$ 11,741,300</u>		<u>\$ 3,607,010</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds				<u>63,755</u>	
Change in net assets of business-type activities				<u>\$ 3,522,457</u>	

City of Zeeland, Michigan  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2005

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 16,735,310	\$ 3,048,227	\$ 1,560,704	\$ 21,344,241	\$ -
Payments to suppliers	(12,856,940)	(1,212,814)	(523,780)	(14,593,534)	(1,046,339)
Payments to employees	(897,318)	(289,547)	(297,121)	(1,483,986)	(147,615)
Received from interfund charges	-	-	-	-	1,705,899
Other receipts (payments)	20,400	32,550	-	52,950	5,914
Net Cash Provided By Operating Activities	<u>3,001,452</u>	<u>1,578,416</u>	<u>739,803</u>	<u>5,319,671</u>	<u>517,859</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	<u>(344,000)</u>	<u>-</u>	<u>-</u>	<u>(344,000)</u>	<u>46,200</u>
Cash Flows From Capital and Related Financing Activities:					
Capital contributions	301,275	92,365	137,194	530,834	-
Acquisition and construction of capital assets	(1,604,941)	(610,744)	(229,833)	(2,445,518)	(32,925)
Principal paid on capital debt	(660,000)	(480,000)	-	(1,140,000)	-
Interest paid on capital debt	(217,528)	(456,705)	-	(674,233)	-
Proceeds from sale of capital assets	-	5,250	-	5,250	8,450
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(2,181,194)</u>	<u>(1,449,834)</u>	<u>(92,639)</u>	<u>(3,723,667)</u>	<u>(24,475)</u>
Cash Flows From Investing Activities:					
Interest received on investments	<u>456,442</u>	<u>87,282</u>	<u>107,573</u>	<u>651,297</u>	<u>36,762</u>
Net Increase (Decrease) in Cash and Investments	932,700	215,864	754,737	1,903,301	576,346
Cash and Investments - July 1	<u>15,932,743</u>	<u>3,216,145</u>	<u>3,246,763</u>	<u>22,395,651</u>	<u>1,458,491</u>
Cash and Investments - June 30	<u>\$ 16,865,443</u>	<u>\$ 3,432,009</u>	<u>\$ 4,001,500</u>	<u>\$ 24,298,952</u>	<u>\$ 2,034,837</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Operating income (loss)	\$ 1,783,136	\$ 963,604	\$ 402,142	\$ 3,148,882	\$ 217,021
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,420,650	595,291	332,347	2,348,288	191,563
Other operating income (expense)	20,400	32,550	-	52,950	-
Change in assets and liabilities:					
Receivables	(398,507)	(88,272)	(8,308)	(495,087)	138,545
Inventories	(81,211)	1,590	-	(79,621)	-
Prepaid items	(819,748)	10,800	(5,685)	(814,633)	(32,851)
Accounts payable	1,074,373	63,219	17,510	1,155,102	2,849
Accrued and other liabilities	2,359	(366)	1,797	3,790	732
Net Cash Provided By Operating Activities	<u>\$ 3,001,452</u>	<u>\$ 1,578,416</u>	<u>\$ 739,803</u>	<u>\$ 5,319,671</u>	<u>\$ 517,859</u>
Cash and investments:					
Cash and investments	\$ 16,202,443	\$ 2,445,114	\$ 4,001,500	\$ 22,649,057	\$ 2,034,837
Revenue bond covenant accounts	663,000	986,895	-	1,649,895	-
	<u>\$ 16,865,443</u>	<u>\$ 3,432,009</u>	<u>\$ 4,001,500</u>	<u>\$ 24,298,952</u>	<u>\$ 2,034,837</u>

City of Zeeland, Michigan  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2005

	Defined Benefit Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 6,940	\$ 104,751
Investments:		
Money market funds	127,348	-
U.S. government securities	1,421,837	-
Stocks	2,582,098	-
Bonds	264,584	-
Accrued interest receivable	23,118	-
	<u>4,425,925</u>	<u>\$ 104,751</u>
Total Assets		
<b>LIABILITIES</b>		
Accounts payable	-	\$ 20,583
Customer deposits	-	82,387
Due to other governments	-	1,781
	<u>-</u>	<u>1,781</u>
Total Liabilities		<u>\$ 104,751</u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	<u>\$ 4,425,925</u>	

City of Zeeland, Michigan  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2005

	<u>Defined Benefit Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 187,332
Employee	<u>3,518</u>
Total Contributions	<u>190,850</u>
Investment earnings:	
Net appreciation in fair value of investments	177,072
Interest	80,044
Dividends	<u>54,138</u>
Net Investment Earnings	<u>311,254</u>
Total Additions	<u>502,104</u>
DEDUCTIONS	
Benefit payments	196,612
Administrative expense	<u>62,515</u>
Total Deductions	<u>259,127</u>
Change in Net Assets	242,977
Net Assets - July 1	<u>4,182,948</u>
Net Assets - June 30	<u>\$ 4,425,925</u>



City of Zeeland, Michigan  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Zeeland conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Zeeland:

**A. Reporting Entity**

The City of Zeeland is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Unit.** The Zeeland Building Authority has a three member board that is appointed by the City Council. During 1991, the Building Authority issued limited tax general obligation bonds to finance a part of the cost of the acquisition and construction of improvements of two existing downtown parking lots. The city has entered into a long-term lease with the authority for the use of these facilities. The city established special assessment districts and will levy an annual operating millage to finance the operations of the authority. During 1998, the Building Authority issued limited tax general obligation bonds to finance additions and improvements to city hall and the construction of a storage building at the street department. The city has entered into a long-term lease with the authority for the project. The city is required to provide annually sufficient monies from its general funds for the payment of the outstanding bonds.

**Discretely Presented Component Unit.** The city has no discretely presented component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (The City of Zeeland has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The city reports the following major governmental funds:

*General Fund* - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Major and Local Street Funds* - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

The city reports the following major proprietary funds:

*Electric Utility Fund* - This fund is used to account for the electric utility sales and costs associated with the generation, purchase, transmission and distribution of electricity.

*Water Utility Fund* - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Holland Board of Public Works for storage and distribution to Zeeland's customers.

*Clean Water Utility Fund* - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the government reports the following fund types:

#### **Governmental Funds**

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

*Debt Service Funds* - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital Projects Funds* - Capital Project Funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

*Permanent Funds* - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

## **Proprietary Funds**

*Internal Service Funds* - Internal Service Funds account for 1) building maintenance services, 2) major machinery, equipment and vehicle purchases and maintenance and 3) health care self-insurance services provided to other departments of the city on a cost reimbursement basis.

## **Fiduciary Funds (Not included in government-wide statements)**

*Pension Trust Fund* - The Pension Trust Fund account for the activities of the city's defined benefit pension plan for eligible employees and are accounted for in essentially the same manner as proprietary funds.

*Agency Funds* - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric, water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and clean water funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities, and Net Assets or Equity**

### **1. Bank Deposits and Investments.**

The city pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the city's investments. Debt service funds, self-insurance funds, bond covenant accounts and Pension Trust Funds are maintained in separate accounts.

For purposes of the statement of cash flows, the proprietary funds type considers all transactions within the city's pooled cash accounts to be cash and cash equivalents.

Investments are recorded at fair value. Interest is accrued and earnings in the pooled cash accounts are allocated quarterly to each fund based upon monthly balances of cash and investments.

## 2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

## 3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

## 4. *Restricted Assets*

Certain proceeds of the enterprise funds revenues bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The "revenue bond covenant accounts" are used to segregate resources set aside to make up potential future deficiencies in the bond current debt service accounts.

## 5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the city as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Electric, water and sewer systems	10-50

## 6. *Compensated Absences.*

It is the city's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for sick leave since the city does not have a policy to pay amounts when the employees separate from service from the city. If material, all vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations at year-end.

## *7. Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## *8. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **E. Property Taxes**

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the due date the bills are due. After that period of time, two percent penalty and interest at three quarters of a percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The city's 2004 ad valorem tax is levied and collectible on July 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 taxable valuation of the city totaled \$231,358,085 excluding abated valuations, on which ad valorem taxes levied consisted of 10.8854 mills for operating purposes and .5000 mills for library debt purposes. This resulted in \$2,518,412 for operating purposes and \$115,669 for library debt purposes.

In addition the city's 2004 taxable valuation for abated property totaled \$285,358,100 on which taxes levied consisted of 5.44270 mills for operating purposes and .2500 mills for library debt purposes. This resulted in \$1,553,118 for operating purposes and \$71,339 for library debt purposes.

The above amounts are recognized in the respective General and Debt Service Funds financial statements as tax revenue.

## **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**State Construction Code Act** – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2005:

Surplus (deficit) - July 1, 2004		\$ (170,063)
Charges for services	\$ 162,756	
Building inspection expenditures	<u>(130,618)</u>	<u>32,138</u>
Surplus (deficit) - June 30, 2005		<u>\$ (137,925)</u>

## NOTE 3. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

*Michigan Compiled Laws, Section 129.91*, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's pension trust funds investments are held in trust by the investment fiduciary, Merrill Lynch Trust Company. *Michigan Compiled Laws, Section 38.1132*, authorizes the city pension trusts to invest in a wide variety of investments including stocks, bonds, diversified investment companies, certificates of deposit, real estate, annuity investment contracts, and certain other specified investment vehicles. Specific limitations apply to the various investment types depending on the size of the pension trust.

The city's deposits and investment policy are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 6,887,505	\$ 22,649,057	\$ 4,507,558	\$ 34,044,120
Revenue bond covenant accounts	<u>-</u>	<u>1,649,895</u>	<u>-</u>	<u>1,649,895</u>
Total	<u>\$ 6,887,505</u>	<u>\$ 24,298,952</u>	<u>\$ 4,507,558</u>	<u>\$ 35,694,015</u>

The breakdown between deposits and investments is as follows:

	City	Pension Trust	Total
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 4,727,050	\$ 6,940	\$ 4,733,990
Investments:			
Federal Home Loan Mortgage Corporation	12,027,425	-	12,027,425
Federal National Mortgage Corporation	7,130,246	-	7,130,246
Federal Home Loan Bank	2,683,959	-	2,683,959
Federal Farm Credit Bank	193,438	-	193,438
Government National Mortgage Association	-	377,027	377,027
US Treasury Notes	564,927	1,044,810	1,609,737
Corporate bonds	-	264,584	264,584
Corporate stocks	-	2,582,098	2,582,098
Money market accounts	3,964,163	127,348	4,091,511
Total investments	26,564,158	4,395,867	30,960,025
Total deposits and investments	\$ 31,291,208	\$ 4,402,807	\$ 35,694,015

The city's investment in US Government and Agency debt obligations at year end consists of:

Investment	Maturities	Fair Value	Investment	Maturities	Fair Value
Federal Home Loan Mtg Corp	03-01-08	\$ 746,399	Federal National Mtg Assoc	05-18-07	\$ 570,954
Federal Home Loan Mtg Corp	03-01-08	75,516	Federal National Mtg Assoc	11-15-07	986,560
Federal Home Loan Mtg Corp	06-01-08	1,127,268	Federal National Mtg Assoc	06-18-07	1,950,620
Federal Home Loan Mtg Corp	04-01-08	74,270	Federal National Mtg Assoc	02-13-07	98,766
Federal Home Loan Mtg Corp	05-01-08	844,079	Federal National Mtg Assoc	04-30-08	992,190
Federal Home Loan Mtg Corp	07-01-08	409,430	Federal National Mtg Assoc	05-05-09	995,940
Federal Home Loan Mtg Corp	08-01-08	234,619	Federal National Mtg Assoc	02-15-09	263,841
Federal Home Loan Mtg Corp	09-01-08	356,917	Federal National Mtg Assoc	02-15-10	269,495
Federal Home Loan Mtg Corp	12-01-08	585,898	Federal Home Loan Bank	05-15-07	978,440
Federal Home Loan Mtg Corp	01-01-09	1,294,742	Federal Home Loan Bank	05-24-07	499,845
Federal Home Loan Mtg Corp	03-01-07	86,961	Federal Home Loan Bank	01-15-08	98,157
Federal Home Loan Mtg Corp	11-01-07	373,173	Federal Home Loan Bank	05-26-09	37,500
Federal Home Loan Mtg Corp	05-01-09	610,089	Federal Home Loan Bank	12-01-09	79,500
Federal Home Loan Mtg Corp	10-28-09	599,022	Federal Home Loan Bank	11-02-07	98,938
Federal Home Loan Mtg Corp	05-15-19	464,662	Federal Home Loan Bank	12-23-08	98,047
Federal Home Loan Mtg Corp	04-23-08	248,020	Federal Home Loan Bank	02-15-07	98,531
Federal Home Loan Mtg Corp	06-25-08	1,933,080	Federal Home Loan Bank	08-15-07	199,500
Federal Home Loan Mtg Corp	03-30-09	99,559	Federal Home Loan Bank	02-15-08	197,376
Federal Home Loan Mtg Corp	08-15-20	995,150	Federal Home Loan Bank	08-15-08	298,125
Federal Home Loan Mtg Corp	12-15-06	266,541	Federal Farm Credit Bank	03-12-09	193,438
Federal Home Loan Mtg Corp	09-15-08	267,638	US Treasury Note	10-31-05	99,492
Federal Home Loan Mtg Corp	02-15-07	264,009	US Treasury Note	11-15-06	98,715
Federal Home Loan Mtg Corp	04-01-08	70,383	US Treasury Note	05-31-06	99,106
Federal National Mtg Assoc	04-29-09	1,001,880	US Treasury Note	01-31-06	267,614
			Total		\$22,599,995

The city's pension trust fund investments in debt obligations at year end consist of:

Investment	Maturities	Fair Value	Investment	Maturities	Fair Value
US Government and Agency Obligations:					
Government National Mtg Assoc	2033	\$ 62,997	US Treasury Note	11-15-04	\$ 25,587
Government National Mtg Assoc	2034	41,211	US Treasury Note	01-15-10	113,461
Government National Mtg Assoc	2034	84,579	US Treasury Note	01-15-15	100,633
Government National Mtg Assoc	2034	48,905	US Treasury Note	03-15-10	70,763
Government National Mtg Assoc	2035	55,002	Total US Gov't & Agency Obligations		<u>1,421,837</u>
Government National Mtg Assoc	2035	39,125	Corporate Bonds:		
Government National Mtg Assoc	2035	45,208	Bear Stearns Co., Inc. Note	01-15-07	30,686
US Treasury Note	08-15-05	226,918	Birkshire Hathaway Note	10-15-08	14,593
US Treasury Note	02-15-06	172,344	Campbell Soup Co. Note	3-15-07	30,719
US Treasury Note	02-15-08	7,324	DaimlerChrysler Hldg Note	11-15-13	45,453
US Treasury Note	05-15-08	41,056	Walt Disney Co. Note	03-01-02	16,588
US Treasury Note	11-05-13	6,146	FleetBoston Financial Corp. Note	02-15-08	14,864
US Treasury Note	12-15-08	120,775	General Electric Capital Corp. Note	05-01-08	31,481
US Treasury Note	12-15-07	98,834	Goldman Sachs Group, Inc. Note	01-15-15	33,612
US Treasury Note	04-30-06	18,805	JP Morgan Chase & Co. Note	02-01-08	14,924
US Treasury Note	05-15-09	38,220	Morgan Stanley Dean Witter Bonds	04-01-07	23,641
US Treasury Note	10-15-09	3,944	Washington Mutual Inc. Note	01-15-08	8,023
			Total Corporate Bonds		<u>264,584</u>
			Total		<u>\$ 1,686,421</u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be returned. At year end the bank balance of the city's deposits was \$4,811,943 of which \$800,000 was covered by federal depository insurance and \$4,011,943 was exposed to custodial credit risk because it was uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The city's investment policy provides that deposits are restricted to financial institutions that have been evaluated for creditworthiness and meet certain ratios.

*Interest rate risk.* Except as limited by state law as listed in the above list of authorized investments the city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The city has no investment policy that limits its investment choices beyond those required by state law. The city's and pension trust fund's investments in US Government Agency obligations were rated AAA by Standard & Poor's. The pension trust fund's investments in corporate bonds were rated as follows:

Standard & Poor's Rating	Amount
AAA	\$ 46,074
A+	72,177
A	61,405
A-	24,611
BBB	45,453
Not rated	<u>14,864</u>
	<u>\$ 264,584</u>

At year end the city had \$3,964,163 and the pension trust fund had \$127,348 in permissible money market funds that are not separately rated.



*Custodial Credit Risk-Investments.* For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The city has not adopted a policy for investment custodial credit risk. As of June 30, 2005, the city's investments were held by a third party in the city's name. The city's investments in money market accounts are not subject to risk categorization.

*Concentration of Credit Risk.* State law does not limit and the city has not adopted a formal policy on the amount the city may invest in any one issuer. More than 5% of the city's investments are in the Federal Home Loan Mortgage Corp. (38.8%), the Federal National Mortgage Corp. (23.0%), and the Federal Home Loan Bank (8.7%).

## B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Local Street	Electric Utility	Water Utility	Clean Water Utility	Non-major Funds	Internal Service Funds	Fiduciary	Total
Receivables:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	22,352	79	-	1,921,565	386,423	163,061	3,075	-	-	2,496,555
Interest	4,040	231	832	53,181	15,436	11,637	7,275	5,176	23,118	120,926
Special assessments	-	-	-	-	-	-	9,221	-	-	9,221
Intergovernmental	<u>185,402</u>	<u>55,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,919</u>
Gross receivables	211,794	55,827	832	1,974,746	401,859	174,698	19,571	5,176	23,118	2,867,621
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 211,794</u>	<u>\$ 55,827</u>	<u>\$ 832</u>	<u>\$ 1,974,746</u>	<u>\$ 401,859</u>	<u>\$ 174,698</u>	<u>\$ 19,571</u>	<u>\$ 5,176</u>	<u>\$ 23,118</u>	<u>\$ 2,867,621</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the city reported no deferred revenue.

## C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 1,107,657	\$ 232,943	\$ -	\$ -	\$ 1,340,600
Construction in progress	<u>188,745</u>	<u>808,419</u>	<u>-</u>	<u>(69,564)</u>	<u>927,600</u>
Subtotal	<u>1,296,402</u>	<u>1,041,362</u>	<u>-</u>	<u>(69,564)</u>	<u>2,268,200</u>
<b>Capital Assets Being Depreciated</b>					
Land improvements	776,238	103,490	-	-	879,728
Buildings and improvements	8,955,341	-	-	-	8,955,341
Machinery and equipment	457,135	16,235	-	-	473,370
Office furniture and equipment	539,849	52,729	-	-	592,578
Equipment-Motor Pool	507,016	13,296	(9,520)	-	510,792
Vehicles-Motor Pool	2,202,126	19,629	(25,000)	-	2,196,755
Infrastructure	<u>13,497,284</u>	<u>1,136,793</u>	<u>-</u>	<u>69,564</u>	<u>14,703,641</u>
Subtotal	<u>26,934,989</u>	<u>1,342,172</u>	<u>(34,520)</u>	<u>69,564</u>	<u>28,312,205</u>
<b>Less Accumulated Depreciation for</b>					
Land improvements	(548,718)	(57,147)	-	-	(605,865)
Buildings and improvements	(1,699,132)	(280,893)	-	-	(1,980,025)
Machinery and equipment	(279,054)	(42,369)	-	-	(321,423)
Office furniture and equipment	(342,639)	(69,451)	-	-	(412,090)
Equipment-Motor Pool	(261,320)	(46,817)	9,520	-	(298,617)
Vehicles-Motor Pool	(688,728)	(144,746)	25,000	-	(808,474)
Infrastructure	<u>(5,632,576)</u>	<u>(809,200)</u>	<u>-</u>	<u>-</u>	<u>(6,441,776)</u>
Subtotal	<u>(9,452,167)</u>	<u>(1,450,623)</u>	<u>34,520</u>	<u>-</u>	<u>(10,868,270)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>17,482,822</u>	<u>(108,451)</u>	<u>-</u>	<u>69,564</u>	<u>17,443,935</u>
<b>Governmental Activities Total</b>					
Capital Assets - Net of Depreciation	<u>\$ 18,779,224</u>	<u>\$ 932,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,712,135</u>

<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 870,286	\$ 24,752	\$ -	\$ -	\$ 895,038
Construction in progress	<u>616,587</u>	<u>816,062</u>	<u>-</u>	<u>(599,424)</u>	<u>833,225</u>
Subtotal	<u>1,486,873</u>	<u>840,814</u>	<u>-</u>	<u>(599,424)</u>	<u>1,728,263</u>
<b>Capital Assets Being Depreciated</b>					
Land improvements	528,961	-	-	-	528,961
Building and improvements	4,016,026	148,224	-	-	4,164,250
Systems	66,701,831	1,275,547	(42,310)	599,424	68,534,492
Machinery and equipment	<u>1,090,676</u>	<u>180,933</u>	<u>(119,095)</u>	<u>-</u>	<u>1,152,514</u>
Subtotal	<u>72,337,494</u>	<u>1,604,704</u>	<u>(161,405)</u>	<u>599,424</u>	<u>74,380,217</u>
<b>Less Accumulated Depreciation for</b>					
Land improvements	(387,946)	(34,179)	-	-	(422,125)
Buildings and improvements	(1,629,973)	(115,051)	-	-	(1,745,024)
Systems	(25,775,210)	(2,065,089)	39,421	-	(27,800,878)
Machinery and equipment	<u>(834,574)</u>	<u>(133,969)</u>	<u>119,095</u>	<u>-</u>	<u>(849,448)</u>
Subtotal	<u>(28,627,703)</u>	<u>(2,348,288)</u>	<u>158,516</u>	<u>-</u>	<u>(30,817,475)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>43,709,791</u>	<u>(743,584)</u>	<u>(2,889)</u>	<u>599,424</u>	<u>43,562,742</u>
<b>Business Type Activities Total</b>					
Capital Assets - Net of Depreciation	<u>\$ 45,196,664</u>	<u>\$ 97,230</u>	<u>\$ (2,889)</u>	<u>\$ -</u>	<u>\$ 45,291,005</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 128,548
Public safety	114,156
Public works	814,662
Health and welfare	-
Community and economic development	-
Recreation and culture	201,694
Internal service fund depreciation is charged to the various functions based on their usage of the assets	<u>191,563</u>
<b>Total Governmental Activities</b>	<u>\$ 1,450,623</u>
<b>Business-Type Activities</b>	
Electric	\$ 1,420,650
Water	595,291
Clean water	<u>332,347</u>
<b>Total Business-Type Activities</b>	<u>\$ 2,348,288</u>

*Construction Commitments*-The city has active construction projects at year-end. At year-end the city's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Electric Utility projects	\$ 50,000	\$ 4,815,000
Water Utility projects	415,000	223,000
Clean Water Utility projects	188,352	223,017
Major Streets construction projects	463,830	1,829,582
Gentex Corporation infrastructure projects	<u>1,801,251</u>	<u>1,829,582</u>
 Total	 <u>\$ 2,918,433</u>	 <u>\$ 8,920,181</u>

#### **D. Interfund Receivables, Payables and Transfers**

At June 30, 2005, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Non-major Governmental Funds</u>	<u>Electric Utility Fund</u>	
Transfers In					
General Fund	\$ -	\$ -	\$ 11,880 (1)	\$ 344,000 (2)	\$ 355,880
Major Street Fund	920,000 (3)	-	-	-	920,000
Local Street Fund	290,000 (3)	-	41,133 (6)	-	331,133
Parking System Fund	68,000 (4)	-	-	-	68,000
CDBG Grant Fund	120,000 (5)	-	-	-	120,000
Community Center Fund	137,000 (4)	-	-	-	137,000
Library Fund	245,000 (4)	-	-	-	245,000
Shopping Area Redevelopment Fund	10,000 (4)	-	-	-	10,000
1993 M.T.F. Act 175 Debt Fund	-	44,000 (7)	-	-	44,000
1998 Building Authority G.O. Debt Fund	111,000 (7)	-	-	-	111,000
Capital Improvements Fund	168,000 (8)	-	3,075 (1)	-	171,075
City Park Improvement Fund	80,000 (8)	-	-	-	80,000
Motor Pool Fund	46,200 (8)	-	-	-	46,200
	<u>\$ 2,195,200</u>	<u>\$ 44,000</u>	<u>\$ 56,088</u>	<u>\$ 344,000</u>	<u>\$ 2,639,288</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund and Capital Projects Fund to close out funds no longer used
- (2) Transfer from Electric Utility Fund to General Fund for annual agreed upon payment in lieu of taxes
- (3) Transfers from General Fund to Major and Local Street Funds for street construction
- (4) Transfers from General Fund for annual operating purposes
- (5) Transfers from General Fund for city's portion of street construction projects
- (6) Transfer from Capital Projects SA Districts Fund to Local Street Fund for street improvement projects
- (7) Transfers from Major Street and General Funds for annual debt service requirements
- (8) Transfers from General Fund for capital acquisitions

## E. Long-Term Debt

The city issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds						
1998 Building Authority, interest rates from 4.1% to 6.0%, maturing 2018	\$ 1,400,000	\$ 1,245,000	\$ -	\$ (55,000)	\$ 1,190,000	\$ 60,000
1994 Library Building, interest rates from 5.7% to 7.25%, maturing 2009	400,000	150,000	-	(30,000)	120,000	30,000
2003 Library Refunding, interest rates from 2.0%-3.1%, maturing 2014	1,630,000	1,600,000	-	(110,000)	1,490,000	115,000
Michigan transportation bonds						
1993 MTF, interest rates from 2.4%-7.25%, maturing 2007	440,000	150,000	-	(35,000)	115,000	35,000
<b>Total Governmental Activities</b>		<b>\$ 3,145,000</b>	<b>\$ -</b>	<b>\$ (230,000)</b>	<b>\$ 2,915,000</b>	<b>\$ 240,000</b>
<b>Business-Type Activities</b>						
Revenue bonds						
1999 Electric Revenue and Refunding, interest rates from 3.3% to 4.85%, maturing 2018	3,125,000	\$ 1,805,000	\$ -	\$ (305,000)	\$ 1,500,000	\$ 5,000
2003 Electric Refunding, interest rates from 2.0%-3.0%, maturing 2013	4,230,000	4,160,000	-	(355,000)	3,805,000	365,000
1995 Water Revenue, interest rates from 4.1%-5.75%, maturing 2015	2,500,000	1,925,000	-	(90,000)	1,835,000	95,000
1996 Water Revenue, interest rates from 4.0%-7.0%, maturing 2016	2,500,000	1,885,000	-	(105,000)	1,780,000	115,000
2001 Water Revenue, interest rates from 4.3%-5.5%, maturing 2020	4,300,000	3,930,000	-	(150,000)	3,780,000	160,000
2002 Water refunding, interest rates from 3.0%-3.9%, maturing 2013	1,810,000	1,675,000	-	(135,000)	1,540,000	145,000
<b>Total Business-Type Activities</b>		<b>\$ 15,380,000</b>	<b>\$ -</b>	<b>\$ (1,140,000)</b>	<b>\$ 14,240,000</b>	<b>\$ 885,000</b>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 240,000	\$ 103,334	\$ 885,000	\$ 589,519
2007	250,000	95,026	915,000	559,829
2008	260,000	86,191	960,000	528,102
2009	225,000	76,820	1,000,000	493,424
2010	235,000	69,090	1,045,000	456,001
2011-2015	1,275,000	218,543	5,825,000	1,592,438
2016-2020	430,000	40,025	3,265,000	434,783
2021	-	-	345,000	9,487
Total	<u>\$ 2,915,000</u>	<u>\$ 689,029</u>	<u>\$ 14,240,000</u>	<u>\$ 4,663,583</u>

#### F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Electric Utility Fund and Water Utility Fund revenue bond covenants as follows:

Electric Utility revenue bond covenant amounts	\$ 663,000
Water Utility revenue bond covenant amounts	<u>986,895</u>
	<u>\$ 1,649,895</u>

#### NOTE 4. OTHER INFORMATION

##### A. Risk Management, Health-Care Self-Insurance and Litigation

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city is insured under the Michigan Municipal League for workers' compensation claims, general liability, and property loss. In addition the Electric Utility and Water Utility Funds obtain commercial insurance coverage for general liability and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The city maintains a health care self insurance fund to account for the city's health care and dental coverage which are self-insured by the city. Health care claims in excess of specified amounts and long-term disability claims are covered through third-party insurance policies. Revenues are recognized from city contributions. The city estimates the liability for health and dental claims that have been incurred through the end of the fiscal year but have not been reported. These estimates are recorded in the Health Care Self-Insurance Internal Service Fund. Changes in the claims liability for the past two fiscal years were as follows:

	2005	2004
Balance-July 1	\$ 40,000	\$ 22,000
Incurred claims-including claims incurred but not reported	752,102	566,390
Claims payments	<u>(752,102)</u>	<u>(548,390)</u>
Balance-June 30	<u>\$ 40,000</u>	<u>\$ 40,000</u>

The city is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the city attorney the resolution of these matters will not have a material adverse effect on the financial condition of the city.

## **B. Power Sales Contract and Project Contract**

The City of Zeeland through its Board of Public Works (BPW) entered into an agreement with the Michigan Public Power Agency (MPPA), a public body political and corporate of the State of Michigan created in 1978. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operations, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each of MPPA's participating members is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. As of June 30, 2005, the MPPA had 14 participating municipalities.

In January, 1983, MPPA entered into a participation agreement with the Detroit Edison Company providing for the sale to MPPA of an undivided ownership interest (37.22%) in the Belle River Unit No. 1 coal-fueled electric generating facility. The 652 megawatt (MW) generating plant was placed in commercial operation on August 1, 1987. MPPA initially financed the purchase of its portion of the Belle River plant by issuing \$590,000,000 of Project Revenue Bonds.

The BPW has entered into a Power Sales Contract and a Project Support Contract with MPPA whereby MPPA will sell and the BPW will purchase its entitlement share (11.3MW or 4.94% of MPPA's interest) of power and energy from the Belle River plant. During fiscal year 2005, approximately 92.4 million kwh (or approximately 30% of the system's needs) were provided to Zeeland from the Belle River project.

The contracts require the BPW to charge rates for electric power, sufficient to provide revenues adequate to meet its obligations under the agreements. Payments made under the Power Sales Contract are operating expenses of the electric system. Payments made under the Project Support Contract are made after payment of operation and maintenance expenses of the electric system and after debt service payments of the electric system.

Under the provisions of the MPPA bonding resolution, neither the State of Michigan nor any political subdivision thereof, other than MPPA, nor any Participant or any other nonparticipating Member of MPPA is obligated to pay the principal of, premium, if any, or interest on the project revenue bonds and neither the full faith and credit or the taxing power of the State of Michigan or any such Participant or nonparticipating Member is pledged to the payment of the principal of, premium, if any, or interest on the project revenue bonds. MPPA does not have any taxing powers.

## **C. Other Post-Employment Benefits**

The city has elected to provide postretirement health care, dental and life insurance benefits to certain eligible retired employees. Eligible recipients include all full-time employees who have reached the age of 62 and have worked at least ten years for the city. Such benefits are provided to eligible retirees within the schedule of benefits for the city's pre-Medicare and Medicare supplement insurance plans. The city may provide postretirement benefits to its retirees at its discretion and is not obligated in any manner to provide any postretirement benefits in addition to the pension benefits described under the Employee Retirement Systems and Plans note.

As of the end of the fiscal year, 32 eligible retirees and spouses were receiving such postretirement benefits. Expenditures for postretirement benefits are recognized as insurance premiums and claim administrator reimbursements become due. For the year ended June 30, 2005, expenditures of \$105,762 were recognized for postretirement health care and dental insurance benefits, which are net of \$41,755 in reimbursements received from retirees.

## **D. Deferred Compensation Plan**

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

## **E. Employee Retirement Systems and Plans**

The City of Zeeland maintains two pension plans. The defined contribution plan was established July 1, 2000 and covers eligible employees hired after July 1, 2000 and employees hired prior to July 1, 2000 who elected to have their balances transferred from the city's defined benefit plan. Participation in the defined benefit plan was frozen effective July 1, 2000 and now covers only eligible employees hired prior to July 1, 2000 who elected to remain participants in the defined benefit plan and not participate in the defined contribution plan.

### **1. City of Zeeland Defined Benefit Pension Plan**

#### **a. Plan Description**

The City of Zeeland Defined Benefit Pension Plan is a single employer plan administered by the City of Zeeland. All full-time employees employed by the city before July 1, 2000 and who work 25 hours or more per week were eligible to remain a participant in the plan. All employees hired on or after July 1, 2000 are required to become a participant in the defined contribution plan. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan was established by the city and can be amended at its discretion, subject to the terms of collective bargaining agreements covering various employee classes. The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at the city's offices.

#### **b. Summary of Significant Accounting Policies**

*Basis of Accounting* — The plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments* - Plan investments are reported at fair market value. Quoted market prices are used to value investments.

#### **c. Funding Policy**

The City of Zeeland, under its charter and through various collective bargaining agreements, has the authority to establish and amend the obligations of the city and plan members to contribute to the plan. Except for police employees, active plan members are currently not obligated to make contributions to the plan. The city is required by the terms of the plan to contribute the actuarially determined amount necessary to fund the plan. In addition, police employees make contributions equal to 1.12% of compensation to partially fund their benefit.

#### **d. Annual Pension Costs**

For the year ended June 30, 2005, the city's annual pension cost of \$187,332 was equal to the required and actual contributions. The required pension contribution was determined as part of an actuarial valuation at July 1, 2004, using the aggregate actuarial cost method. Significant actuarial assumptions included (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) no cost of living adjustments. The actuarial value of assets is equal to the fair market value of the assets held in the plan. The plan uses the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities.

Three year trend information as of June 30 follows:

	Year Ended June 30		
	2003	2004	2005
Annual pension costs (APC)	\$ 208,997	\$ 187,332	\$ 190,850
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -



## **2. City of Zeeland Defined Contribution Plan**

The city provides pension benefits to all its employees meeting length of service requirements not participating in the defined benefit plan through a defined contribution plan administered by Merrill Lynch. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 8% of covered compensation for participants who were employed by the city before July 1, 2000 and 6% of covered compensation for employees for participants employed after July 1, 2000. Contributions made to the plan were \$158,237 for the year ended June 30, 2005. Plan provisions and contribution requirements are established and may be amended by the City Council.

# Required Supplementary Information

City of Zeeland, Michigan  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 4,052,000	\$ 4,087,000	\$ 4,108,392	\$ 21,392
Licenses and permits	104,500	199,500	199,632	132
State shared revenues	489,500	576,000	571,833	(4,167)
Charges for services	48,000	48,000	57,052	9,052
Fines and forfeitures	25,000	25,000	34,924	9,924
Interest	61,000	81,000	109,216	28,216
Other	18,700	18,700	29,244	10,544
Total Revenues	<u>4,798,700</u>	<u>5,035,200</u>	<u>5,110,293</u>	<u>75,093</u>
Expenditures:				
Current:				
General Government:				
Governing body	42,500	41,500	33,530	7,970
Youth council	11,500	9,500	5,912	3,588
Chief executive-mayor	8,700	6,700	5,964	736
City services infrastructure	43,600	41,600	36,965	4,635
City manager	108,500	111,000	105,031	5,969
Elections	11,300	11,300	9,591	1,709
Accounting	69,400	90,400	88,311	2,089
Assessor	89,800	94,800	90,333	4,467
Attorney	90,600	135,600	152,353	(16,753)
Clerk	87,300	88,300	84,734	3,566
Personnel management	24,800	21,800	22,158	(358)
Board of review	1,300	1,300	1,173	127
General services	192,000	206,000	203,913	2,087
Treasurer	40,900	46,600	46,197	403
Data processing	30,600	58,100	44,798	13,302
Other property	1,550	2,800	2,094	706
Cemetery	103,400	101,400	84,659	16,741
Storm water management	19,000	18,950	12,272	6,678
Tree management	10,700	10,700	9,039	1,661
Public relations	32,700	30,700	24,503	6,197
Other	-	1,550	1,528	22
Total General Government	<u>1,020,150</u>	<u>1,130,600</u>	<u>1,065,058</u>	<u>65,542</u>
Public Safety:				
Police administration	210,800	216,800	213,228	3,572
Police patrol	415,700	403,700	387,927	15,773
Team police project	15,600	8,600	5,801	2,799
Fire services	327,900	330,900	318,948	11,952
Building and zoning	105,700	134,200	130,618	3,582
Emergency services	115,200	132,700	127,161	5,539
Total Public Safety	<u>1,190,900</u>	<u>1,226,900</u>	<u>1,183,683</u>	<u>43,217</u>

(Continued on next page)

City of Zeeland, Michigan  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Public Works:				
Sidewalks	26,800	38,300	33,774	4,526
Highways, streets, and bridges	10,500	10,500	7,804	2,696
Street lighting	26,000	29,500	26,566	2,934
City clean-up	83,300	83,300	66,815	16,485
MACC transit	55,000	52,000	66,039	(14,039)
Total Public Works	201,600	213,600	200,998	12,602
Community and Economic Development				
Economic development	9,500	19,500	17,139	2,361
Planning commission	35,000	39,500	31,626	7,874
Internal planning	11,000	4,000	730	3,270
Construction board of appeals	600	600	237	363
Zoning board of appeals	6,000	4,000	1,397	2,603
Total Community and Economic Development	62,100	67,600	51,129	16,471
Recreation and Culture:				
Timbertown	4,900	900	29	871
Parks	121,200	121,200	105,550	15,650
Total Recreation and Culture	126,100	122,100	105,579	16,521
Insurance, Bonds, and Fringes:				
Employer FICA	105,000	105,000	104,112	888
Employee insurances	326,000	326,000	318,190	7,810
Employee retirement	191,600	179,600	169,895	9,705
Other	77,000	77,000	75,052	1,948
Total Insurance, Bonds, and Fringes	699,600	687,600	667,249	20,351
Total Expenditures	3,300,450	3,448,400	3,273,696	174,704
Excess Of Revenues Over (Under) Expenditures	1,498,250	1,586,800	1,836,597	249,797
Other Financing Sources (Uses):				
Transfers in	344,000	353,300	355,880	2,580
Transfers out	(2,060,200)	(2,195,200)	(2,195,200)	-
Total Other Financing Sources (Uses)	(1,716,200)	(1,841,900)	(1,839,320)	2,580
Net Change in Fund Balances	(217,950)	(255,100)	(2,723)	252,377
Fund Balances - July 1	1,822,780	1,822,780	1,822,780	-
Fund Balances - June 30	\$ 1,604,830	\$ 1,567,680	\$ 1,820,057	\$ 252,377

City of Zeeland, Michigan  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	200,000	-	-	-
State shared revenues	296,300	296,300	293,877	(2,423)
Charges for services	2,500	2,500	1,366	(1,134)
Interest	15,000	15,000	8,103	(6,897)
Other	-	-	1,490	1,490
Total Revenues	<u>513,800</u>	<u>313,800</u>	<u>304,836</u>	<u>(8,964)</u>
Expenditures:				
Current:				
Public Works:				
Construction	1,175,000	915,000	803,130	111,870
Surface maintenance	64,400	71,400	67,559	3,841
Off-surface maintenance	22,900	22,900	23,855	(955)
Storm and drainage	35,100	35,100	19,960	15,140
Non-motorized facilities	3,000	3,000	560	2,440
Traffic services	36,700	45,700	43,792	1,908
Winter maintenance	64,900	64,900	50,558	14,342
Administration	16,900	17,900	17,311	589
Engineering	5,000	5,000	948	4,052
Record keeping	7,600	8,600	8,202	398
Total Public Works	<u>1,431,500</u>	<u>1,189,500</u>	<u>1,035,875</u>	<u>153,625</u>
Insurance, bonds, and fringes:				
Employer FICA	8,000	8,000	7,379	621
Employee insurances	30,400	30,400	29,644	756
Employee retirement	11,300	11,300	10,333	967
Other	2,400	2,400	1,491	909
Total Insurance, bonds, and fringes	<u>52,100</u>	<u>52,100</u>	<u>48,847</u>	<u>3,253</u>
Total Expenditures	<u>1,483,600</u>	<u>1,241,600</u>	<u>1,084,722</u>	<u>156,878</u>
Excess Of Revenues Over (Under) Expenditures	<u>(969,800)</u>	<u>(927,800)</u>	<u>(779,886)</u>	<u>147,914</u>
Other Financing Sources (Uses):				
Transfers in	890,000	920,000	920,000	-
Transfers out	<u>(44,000)</u>	<u>(44,000)</u>	<u>(44,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>846,000</u>	<u>876,000</u>	<u>876,000</u>	<u>-</u>
Net Change in Fund Balances	(123,800)	(51,800)	96,114	147,914
Fund Balances - July 1	<u>366,539</u>	<u>366,539</u>	<u>366,539</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 242,739</u>	<u>\$ 314,739</u>	<u>\$ 462,653</u>	<u>\$ 147,914</u>

City of Zeeland, Michigan  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State shared revenues	115,200	115,200	120,072	4,872
Charges for services	2,100	2,100	2,558	458
Interest	5,000	5,000	5,774	774
Total Revenues	122,300	122,300	128,404	6,104
Expenditures:				
Current:				
Public Works:				
Construction	172,000	42,000	14,729	27,271
Surface maintenance	63,700	133,700	109,693	24,007
Off-surface maintenance	25,700	25,700	19,504	6,196
Storm and drainage	24,700	24,700	16,846	7,854
Traffic services	23,600	28,600	24,362	4,238
Winter maintenance	71,300	71,300	64,183	7,117
Administration	16,900	16,900	16,993	(93)
Engineering	5,000	5,000	395	4,605
Record keeping	7,500	8,500	7,838	662
Total Public Works	410,400	356,400	274,543	81,857
Insurance, bonds, and fringes:				
Employer FICA	9,300	9,300	8,728	572
Employee insurances	36,800	36,800	34,687	2,113
Employee retirement	9,300	9,300	10,397	(1,097)
Other	2,800	2,800	2,145	655
Total Insurance, bonds, and fringes	58,200	58,200	55,957	2,243
Total Expenditures	468,600	414,600	330,500	84,100
Excess Of Revenues Over (Under) Expenditures	(346,300)	(292,300)	(202,096)	90,204
Other Financing Sources (Uses):				
Transfers in	320,000	333,000	331,133	1,867
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	320,000	333,000	331,133	1,867
Net Change in Fund Balances	(26,300)	40,700	129,037	92,071
Fund Balances - July 1	142,133	142,133	142,133	-
Fund Balances - June 30	\$ 115,833	\$ 182,833	\$ 271,170	\$ 92,071

City of Zeeland, Michigan  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2005

**NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Non-appropriated budgets are adopted for the capital projects, enterprise, and internal service funds.

In February of each year, all department heads of the city submit requests for appropriations for each activity for which they are responsible to the budget officer so that a budget may be prepared. On or before March 31, the proposed budget is presented to the City Council for review. The City Council holds study sessions and public hearings and a final budget must be prepared and adopted no later than June 30.

In addition to adopting the annual operating budget, the City Council annually reviews and approves the Capital Improvement Program (CIP). The CIP is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the appropriate fund.

The appropriated budget is prepared by fund, function, department and activity (i.e. treasurer, city hall, police patrol). Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity, however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. A transfer of cash from one fund to another requires a vote of not less than five members of the City Council. Appropriated budgets are amended from time to time throughout the course of the fiscal year by supplementary resolutions approved by a majority vote of the City Council.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**B. Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the city incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Items	Budget Appropriation	Actual Expenditure
General Fund - Attorney	\$ 135,600	\$ 152,353
General Fund - Personnel management	21,800	22,158
General Fund - MACC transit	52,000	66,039
Major Street Fund - Off-surface maintenance	22,900	23,855
Local Street Fund - Administration	16,900	16,993
Local Street Fund - Employee retirement	9,300	10,397

# Supplemental Data

## Nonmajor Governmental Funds

### Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

**Brownfield Development Authority Fund**--was established to account for administrative revenues and expenditures related to future Brownfield Development Authority tax increment financing projects.

**Parking System Fund**--was established by Ordinance No. 249 as amended by Ordinance No. 307.

**CDBG Grant**--was established to account for grant revenues and expenditures related to the Gentex infrastructure improvements partially funded with CDBG grant monies.

**Community Center**--was established to account for building rental revenue received from the public for meetings, banquets and other community related events. Monies expended from this fund are used for Community Center purposes.

**Library Fund**--was established for the purpose of receiving restricted state revenue sharing, library penal fines, etc. Monies expended from this fund must be for authorized library purposes.

**Legal Contingency**--was established to account for out of the ordinary legal expenditures the city may incur throughout the fiscal year.

**Special Events**--was established to account for revenue and expenditures generated from various special activities the city may involve itself in.

**Shopping Area Redevelopment Board Fund**--was established to account for the economic development activities in the downtown area.

### Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest of: 1) general obligation bonds from governmental resources; 2) Michigan transportation bonds from state shared motor vehicle revenues; and 3) special assessment bonds from special assessment levies backed by the city's governmental commitment.

**Michigan Transportation Fund (M.T.F.)**--to account for the current payment of principal and interest of 1993 Michigan Transportation Funds Bonds, issued for street improvements and repaid from state shared gas and weight tax revenues.

**Building Authority General Obligation Debt**--to account for the payment of interest and principal on long-term debt. Its assets are used for the redemption of Building Authority Bonds issued specifically for capital projects financed by the Zeeland Building Authority. In 1998, \$1,400,000 of Building Authority Bonds were issued to finance the additions and improvements to City Hall and the construction of a storage building for the street department.

**Library General Obligation Debt**--to account for the current payment of principal and interest on 1993 and 1994 unlimited tax general obligation bonds. In 1993, \$2,000,000 of general obligation bonds were issued to finance part of the cost of constructing a library/community center. In 1994, an additional \$400,000 of general obligation bonds were issued for this same purpose.



## **Capital Projects Funds**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Capital Improvement Fund**--this fund is used to account for the purchase and/or construction of capital facilities budgeted in the current year of the city's 6-Year Capital Improvement Program which are not accounted for by proprietary funds, trust funds, projects financed through special assessments, and street construction/improvements financed by Act 51 funds.

**Veterans Monument**--this fund accounts for the transactions of a monument constructed at the cemetery. This project was financed through contributions from the surrounding local governments and from private sources.

**City Park Improvement Fund**—this fund accounts for monies set aside for future improvements to all city parks.

**Capital Projects (S.A. Districts) Fund**—this fund accounts for the transactions of the construction phase of capital projects financed by special assessments, which special assessments have been financed with general purpose monies of the city or special assessment debt with government commitment. Capital projects and/or special assessment districts which have been financed by an enterprise fund are accounted for in the enterprise fund. Special assessment receivables are accounted for in this fund when financed by general purpose monies of the city.

**City Building Fund**--this fund accounts for the construction phase of the renovation of City Hall and the construction of a storage building for the street department. This project is financed with Building Authority bond monies and general city monies.

**Library Building Fund**—this fund accounts for the construction phase of the library/community center. This project is financed with general obligation bond monies and local private contributions. This project has been completed and remaining funds are used for any upgrades as needed.

**Residential Improvement Fund**--this fund was set up to accumulate monies for the purpose of purchasing, demolishing and improving substandard residential property.

City of Zeeland, Michigan  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Parking System	CDBG Grant	Brownfield Development Authority	Community Center	Library	Legal Contingency	Special Events	Shopping Area Redevelopment Board	Total
<b>ASSETS</b>									
Cash and investments	\$ 4,663	\$ 267,153	\$ 509	\$ 36,755	\$ 192,401	\$ 124,651	\$ -	\$ 32,088	\$ 658,220
Receivables:									
Accounts	-	-	-	-	-	3,075	-	-	3,075
Interest	17	891	-	123	642	416	-	107	2,196
Due from other governments	-	-	-	-	6,667	-	-	-	6,667
<b>TOTAL ASSETS</b>	<b>\$ 4,680</b>	<b>\$ 268,044</b>	<b>\$ 509</b>	<b>\$ 36,878</b>	<b>\$ 199,710</b>	<b>\$ 128,142</b>	<b>\$ -</b>	<b>\$ 32,195</b>	<b>\$ 670,158</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 2,698	\$ 48,002	\$ -	\$ 926	\$ 9,642	\$ 45	\$ -	\$ -	\$ 61,313
Accrued payroll	265	-	-	494	3,949	-	-	-	4,708
<b>Total Liabilities</b>	<b>2,963</b>	<b>48,002</b>	<b>-</b>	<b>1,420</b>	<b>13,591</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>66,021</b>
Fund Balances:									
Reserved for library	-	-	-	-	26,223	-	-	-	26,223
Reserved for debt service	-	-	-	-	-	-	-	-	-
Reserved for perpetual care	-	-	-	-	-	-	-	-	-
Unreserved	1,717	220,042	509	35,458	159,896	128,097	-	32,195	577,914
<b>Total Fund Balances</b>	<b>1,717</b>	<b>220,042</b>	<b>509</b>	<b>35,458</b>	<b>186,119</b>	<b>128,097</b>	<b>-</b>	<b>32,195</b>	<b>604,137</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,680</b>	<b>\$ 268,044</b>	<b>\$ 509</b>	<b>\$ 36,878</b>	<b>\$ 199,710</b>	<b>\$ 128,142</b>	<b>\$ -</b>	<b>\$ 32,195</b>	<b>\$ 670,158</b>

Debt Service Funds				Capital Projects Funds								Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	Veterans Monument	City Park Improvement	Capital Projects S.A. Districts	City Building	Library Building	Residential Improvement	Total	Perpetual Care	
\$ 3,456	\$ 1,537	\$ 99,371	\$ 104,364	\$ 134,499	\$ -	\$ 82,941	\$ 58	\$ 111,632	\$ -	\$ 117,291	\$ 446,421	\$ 1,076,999	\$ 2,286,004
-	-	-	-	-	-	-	-	-	-	-	-	-	3,075
-	-	-	-	449	-	276	-	372	-	391	1,488	3,591	7,275
-	-	-	-	-	-	-	-	-	-	-	-	-	6,667
<u>\$ 3,456</u>	<u>\$ 1,537</u>	<u>\$ 99,371</u>	<u>\$ 104,364</u>	<u>\$ 134,948</u>	<u>\$ -</u>	<u>\$ 83,217</u>	<u>\$ 58</u>	<u>\$ 112,004</u>	<u>\$ -</u>	<u>\$ 117,682</u>	<u>\$ 447,909</u>	<u>\$ 1,080,590</u>	<u>\$ 2,303,021</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233	\$ -	\$ -	\$ 233	\$ 285	\$ 61,831
-	-	-	-	-	-	-	-	-	-	-	-	-	4,708
-	-	-	-	-	-	-	-	233	-	-	233	285	66,539
-	-	-	-	-	-	-	-	-	-	-	-	-	26,223
-	-	99,371	99,371	-	-	-	-	-	-	-	-	-	99,371
-	-	-	-	-	-	-	-	-	-	-	-	1,080,305	1,080,305
3,456	1,537	-	4,993	134,948	-	83,217	58	111,771	-	117,682	447,676	-	1,030,583
<u>3,456</u>	<u>1,537</u>	<u>99,371</u>	<u>104,364</u>	<u>134,948</u>	<u>-</u>	<u>83,217</u>	<u>58</u>	<u>111,771</u>	<u>-</u>	<u>117,682</u>	<u>447,676</u>	<u>1,080,305</u>	<u>2,236,482</u>
<u>\$ 3,456</u>	<u>\$ 1,537</u>	<u>\$ 99,371</u>	<u>\$ 104,364</u>	<u>\$ 134,948</u>	<u>\$ -</u>	<u>\$ 83,217</u>	<u>\$ 58</u>	<u>\$ 112,004</u>	<u>\$ -</u>	<u>\$ 117,682</u>	<u>\$ 447,909</u>	<u>\$ 1,080,590</u>	<u>\$ 2,303,021</u>

City of Zeeland, Michigan  
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	Parking System	CDBG Grant	Brownfield Development Authority	Community Center	Library	Legal Contingency	Special Events	Shopping Area Redevelopment Board	Total
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	517,804	-	-	-	-	-	-	517,804
State grants	-	624,000	-	-	-	-	-	-	624,000
State shared revenues	-	-	-	-	13,350	-	-	-	13,350
Local unit contributions	-	-	-	-	232,226	-	-	-	232,226
Charges for services	198	11,388	-	-	9,605	-	2,925	-	24,116
Fines and forfeitures	3,636	-	-	-	19,516	-	-	-	23,152
Interest and rent	176	3,882	9	25,713	4,876	3,684	164	882	39,386
Other	16,733	-	1,000	-	8,661	-	-	-	26,394
<b>Total Revenues</b>	<b>20,743</b>	<b>1,157,074</b>	<b>1,009</b>	<b>25,713</b>	<b>288,234</b>	<b>3,684</b>	<b>3,089</b>	<b>882</b>	<b>1,500,428</b>
Expenditures:									
Current:									
General government	-	-	-	-	-	35,003	-	-	35,003
Public works	99,589	1,057,059	-	-	-	-	-	-	1,156,648
Community and economic development	-	-	500	-	-	-	-	7,130	7,630
Recreation and culture	-	-	-	135,132	428,576	-	2,925	-	566,633
Insurance, bonds, and fringes	11,956	-	-	16,560	83,466	-	-	-	111,982
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>111,545</b>	<b>1,057,059</b>	<b>500</b>	<b>151,692</b>	<b>512,042</b>	<b>35,003</b>	<b>2,925</b>	<b>7,130</b>	<b>1,877,896</b>
Excess of Revenues Over (Under) Expenditures	(90,802)	100,015	509	(125,979)	(223,808)	(31,319)	164	(6,248)	(377,468)
Other Financing Sources (Uses):									
Transfers in	68,000	120,000	-	137,000	245,000	-	-	10,000	580,000
Transfers out	-	-	-	-	-	-	(9,321)	-	(9,321)
<b>Total Other Financing Sources (Uses)</b>	<b>68,000</b>	<b>120,000</b>	<b>-</b>	<b>137,000</b>	<b>245,000</b>	<b>-</b>	<b>(9,321)</b>	<b>10,000</b>	<b>570,679</b>
<b>Net Change in Fund Balances</b>	<b>(22,802)</b>	<b>220,015</b>	<b>509</b>	<b>11,021</b>	<b>21,192</b>	<b>(31,319)</b>	<b>(9,157)</b>	<b>3,752</b>	<b>193,211</b>
<b>Fund Balances - July 1</b>	<b>24,519</b>	<b>27</b>	<b>-</b>	<b>24,437</b>	<b>164,927</b>	<b>159,416</b>	<b>9,157</b>	<b>28,443</b>	<b>410,926</b>
<b>Fund Balances - June 30</b>	<b>\$ 1,717</b>	<b>\$ 220,042</b>	<b>\$ 509</b>	<b>\$ 35,458</b>	<b>\$ 186,119</b>	<b>\$ 128,097</b>	<b>\$ -</b>	<b>\$ 32,195</b>	<b>\$ 604,137</b>

Debt Service Funds				Capital Projects Funds								Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	Veterans Monument	City Park Improvement	Capital Projects S.A. Districts	City Building	Library Building	Residential Improvement	Total	Perpetual Care	
\$ -	\$ -	\$ 187,008	\$ 187,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,008
-	-	-	-	-	-	-	-	-	-	-	-	-	517,804
-	-	-	-	-	-	-	-	-	-	-	-	-	624,000
-	-	-	-	-	-	-	-	-	-	-	-	-	13,350
-	-	-	-	-	-	-	-	-	-	-	-	-	232,226
-	-	-	-	-	-	-	-	-	-	-	-	45,875	69,991
-	-	-	-	-	-	-	-	-	-	-	-	-	23,152
166	689	2,677	3,532	3,441	29	1,796	1,310	6,731	89	3,233	16,629	31,085	90,632
-	-	-	-	-	-	-	9,221	-	-	-	9,221	-	35,615
166	689	189,685	190,540	3,441	29	1,796	10,531	6,731	89	3,233	25,850	76,960	1,793,778
-	-	-	-	-	-	-	-	-	-	-	-	8,787	43,790
-	-	-	-	-	-	-	-	-	-	-	-	-	1,156,648
-	-	-	-	-	-	-	-	-	-	-	-	-	7,630
-	-	-	-	-	-	-	-	-	-	-	-	-	566,633
-	-	-	-	-	-	-	-	-	-	-	-	-	111,982
-	-	-	-	167,187	-	-	-	265,871	-	-	433,058	-	433,058
35,000	55,000	140,000	230,000	-	-	-	-	-	-	-	-	-	230,000
8,263	55,722	49,555	113,540	-	-	-	-	-	-	-	-	-	113,540
43,263	110,722	189,555	343,540	167,187	-	-	-	265,871	-	-	433,058	8,787	2,663,281
(43,097)	(110,033)	130	(153,000)	(163,746)	29	1,796	10,531	(259,140)	89	3,233	(407,208)	68,173	(869,503)
44,000	111,000	-	155,000	171,075	-	80,000	-	-	-	-	251,075	-	986,075
-	-	-	-	-	(2,559)	-	(41,133)	-	(3,075)	-	(46,767)	-	(56,088)
44,000	111,000	-	155,000	171,075	(2,559)	80,000	(41,133)	-	(3,075)	-	204,308	-	929,987
903	967	130	2,000	7,329	(2,530)	81,796	(30,602)	(259,140)	(2,986)	3,233	(202,900)	68,173	60,484
2,553	570	99,241	102,364	127,619	2,530	1,421	30,660	370,911	2,986	114,449	650,576	1,012,132	2,175,998
\$ 3,456	\$ 1,537	\$ 99,371	\$ 104,364	\$ 134,948	\$ -	\$ 83,217	\$ 58	\$ 111,771	\$ -	\$ 117,682	\$ 447,676	\$ 1,080,305	\$ 2,236,482

City of Zeeland, Michigan  
PARKING SYSTEM SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ 198	\$ 198
Fines and forfeitures	-	-	3,636	3,636
Interest and rent	500	500	176	(324)
Other	38,000	38,000	16,733	(21,267)
Total Revenues	38,500	38,500	20,743	(17,757)
Expenditures:				
Current:				
Public works	92,400	101,400	99,589	1,811
Insurance, bonds, and fringes	7,100	14,100	11,956	2,144
Total Expenditures	99,500	115,500	111,545	3,955
Excess of Revenues Over (Under) Expenditures	(61,000)	(77,000)	(90,802)	(21,712)
Other Financing Sources (Uses):				
Transfers in	53,000	68,000	68,000	-
Net Change in Fund Balances	(8,000)	(9,000)	(22,802)	(21,712)
Fund Balances - July 1	24,519	24,519	24,519	-
Fund Balances - June 30	\$ 16,519	\$ 15,519	\$ 1,717	\$ (21,712)

City of Zeeland, Michigan  
CDBG GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Federal grants	\$ -	\$ 682,784	\$ 517,804	\$ (164,980)
State grants	-	624,000	624,000	-
Charges for services	-	49,444	11,388	(38,056)
Interest and rent	-	-	3,882	3,882
Total Revenues	-	1,356,228	1,157,074	(199,154)
Expenditures:				
Current:				
Public works	-	1,339,024	1,057,059	281,965
Excess of Revenues Over (Under) Expenditures	-	17,204	100,015	(481,119)
Other Financing Sources (Uses):				
Transfers in	-	120,000	120,000	-
Net Change in Fund Balances	-	137,204	220,015	(481,119)
Fund Balances - July 1	27	27	27	-
Fund Balances - June 30	\$ 27	\$ 137,231	\$ 220,042	\$ (481,119)

City of Zeeland, Michigan  
 BROWNFIELD DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Interest and rent	\$ -	\$ -	\$ 9	\$ 9
Other	-	1,000	1,000	-
Total Revenues	-	1,000	1,009	9
Expenditures:				
Current:				
Community and economic development	-	500	500	-
Net Change in Fund Balances	-	500	509	9
Fund Balances - July 1	-	-	-	-
Fund Balances - June 30	\$ -	\$ 500	\$ 509	\$ 9



City of Zeeland, Michigan  
COMMUNITY CENTER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Interest and rent	\$ 21,000	\$ 21,000	\$ 25,713	\$ 4,713
Other	100	100	-	(100)
Total Revenues	<u>21,100</u>	<u>21,100</u>	<u>25,713</u>	<u>4,613</u>
Expenditures:				
Current:				
Recreation and culture	145,900	137,900	135,132	2,768
Insurance, bonds, and fringes	<u>8,600</u>	<u>16,600</u>	<u>16,560</u>	<u>40</u>
Total Expenditures	<u>154,500</u>	<u>154,500</u>	<u>151,692</u>	<u>2,808</u>
Excess of Revenues Over (Under) Expenditures	(133,400)	(133,400)	(125,979)	1,805
Other Financing Sources (Uses):				
Transfers in	<u>137,000</u>	<u>137,000</u>	<u>137,000</u>	<u>-</u>
Net Change in Fund Balances	3,600	3,600	11,021	1,805
Fund Balances - July 1	<u>24,437</u>	<u>24,437</u>	<u>24,437</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 28,037</u>	<u>\$ 28,037</u>	<u>\$ 35,458</u>	<u>\$ 1,805</u>

City of Zeeland, Michigan  
LIBRARY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 5,000	\$ 5,000	\$ 13,350	\$ 8,350
Local unit contributions	217,500	217,500	232,226	14,726
Charges for services	6,000	6,000	9,605	3,605
Fines and forfeitures	12,000	12,000	19,516	7,516
Interest and rent	3,500	3,500	4,876	1,376
Other	7,000	7,000	8,661	1,661
Total Revenues	<u>251,000</u>	<u>251,000</u>	<u>288,234</u>	<u>37,234</u>
Expenditures:				
Current:				
Recreation and culture	434,050	434,050	428,576	5,474
Insurance, bonds, and fringes	<u>96,800</u>	<u>104,500</u>	<u>83,466</u>	<u>21,034</u>
Total Expenditures	<u>530,850</u>	<u>538,550</u>	<u>512,042</u>	<u>26,508</u>
Excess of Revenues Over (Under) Expenditures	(279,850)	(287,550)	(223,808)	10,726
Other Financing Sources (Uses):				
Transfers in	<u>245,000</u>	<u>245,000</u>	<u>245,000</u>	<u>-</u>
Net Change in Fund Balances	(34,850)	(42,550)	21,192	10,726
Fund Balances - July 1	<u>164,927</u>	<u>164,927</u>	<u>164,927</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 130,077</u>	<u>\$ 122,377</u>	<u>\$ 186,119</u>	<u>\$ 10,726</u>

City of Zeeland, Michigan  
LEGAL CONTINGENCY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Interest and rent	\$ 3,000	\$ 3,000	\$ 3,684	\$ 684
Expenditures:				
Current:				
General government	<u>-</u>	<u>38,000</u>	<u>35,003</u>	<u>2,997</u>
Net Change in Fund Balances	3,000	(35,000)	(31,319)	(2,313)
Fund Balances - July 1	<u>159,416</u>	<u>159,416</u>	<u>159,416</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 162,416</u>	<u>\$ 124,416</u>	<u>\$ 128,097</u>	<u>\$ (2,313)</u>

City of Zeeland, Michigan  
SPECIAL EVENTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ 2,925	\$ 2,925
Interest and rent	-	-	164	164
Total Revenues	-	-	3,089	3,089
Expenditures:				
Current:				
Recreation and culture	-	-	2,925	(2,925)
Excess of Revenues Over (Under) Expenditures	-	-	164	6,014
Other Financing Sources (Uses):				
Transfers out	-	(9,300)	(9,321)	21
Net Change in Fund Balances	-	(9,300)	(9,157)	6,035
Fund Balances - July 1	9,157	9,157	9,157	-
Fund Balances - June 30	<u>\$ 9,157</u>	<u>\$ (143)</u>	<u>\$ -</u>	<u>\$ 6,035</u>

City of Zeeland, Michigan  
 SHOPPING AREA REDEVELOPMENT BOARD SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues:				
Interest and rent	\$ 400	\$ 400	\$ 882	\$ 482
Expenditures:				
Current:				
Community and economic development	<u>22,200</u>	<u>22,200</u>	<u>7,130</u>	<u>15,070</u>
Excess of Revenues Over (Under) Expenditures	(21,800)	(21,800)	(6,248)	(14,588)
Other Financing Sources (Uses):				
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balances	(11,800)	(11,800)	3,752	(14,588)
Fund Balances - July 1	<u>28,443</u>	<u>28,443</u>	<u>28,443</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 16,643</u>	<u>\$ 16,643</u>	<u>\$ 32,195</u>	<u>\$ (14,588)</u>

City of Zeeland, Michigan  
1993 M.T.F. ACT 175 DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Interest and rent	\$ -	\$ -	\$ 166	\$ 166
Expenditures:				
Debt service				
Principal	35,000	35,000	35,000	-
Interest	9,300	9,300	8,263	1,037
Total Expenditures	44,300	44,300	43,263	1,037
Excess of Revenues Over (Under) Expenditures	(44,300)	(44,300)	(43,097)	(871)
Other Financing Sources (Uses):				
Transfers in	44,000	44,000	44,000	-
Net Change in Fund Balances	(300)	(300)	903	(871)
Fund Balances - July 1	2,553	2,553	2,553	-
Fund Balances - June 30	\$ 2,253	\$ 2,253	\$ 3,456	\$ (871)

City of Zeeland, Michigan  
1998 BUILDING AUTHORITY G.O. DEBT DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues:				
Interest and rent	\$ -	\$ -	\$ 689	\$ 689
Expenditures:				
Debt service				
Principal	55,000	55,000	55,000	-
Interest	55,630	55,630	55,722	(92)
Total Expenditures	110,630	110,630	110,722	(92)
Excess of Revenues Over (Under) Expenditures	(110,630)	(110,630)	(110,033)	781
Other Financing Sources (Uses):				
Transfers in	111,000	111,000	111,000	-
Net Change in Fund Balances	370	370	967	781
Fund Balances - July 1	570	570	570	-
Fund Balances - June 30	\$ 940	\$ 940	\$ 1,537	\$ 781

City of Zeeland, Michigan  
LIBRARY DEBT DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 184,500	\$ 184,500	\$ 187,008	\$ 2,508
Interest and rent	500	500	2,677	2,177
Total Revenues	<u>185,000</u>	<u>185,000</u>	<u>189,685</u>	<u>4,685</u>
Expenditures:				
Debt service				
Principal	140,000	140,000	140,000	-
Interest	<u>49,600</u>	<u>49,600</u>	<u>49,555</u>	<u>45</u>
Total Expenditures	<u>189,600</u>	<u>189,600</u>	<u>189,555</u>	<u>45</u>
Net Change in Fund Balances	(4,600)	(4,600)	130	4,640
Fund Balances - July 1	<u>99,241</u>	<u>99,241</u>	<u>99,241</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 94,641</u>	<u>\$ 94,641</u>	<u>\$ 99,371</u>	<u>\$ 4,640</u>



# Supplemental Data

## Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Building Maintenance Fund**--this fund is used to account for the expense of building operations and maintenance of all city buildings.

**Motor Pool Fund**--this fund is used to account for the rental of motor vehicles and machinery and equipment to other departments and related costs.

**Health Care Self Insurance Fund**--this fund is used to account for costs associated for the city's health insurance program. All claims, premiums and administrative expenses are paid from this fund.

City of Zeeland, Michigan  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2005

	<u>Building Maintenance</u>	<u>Motor Pool</u>	<u>Health Care Self-Insurance</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 111,148	\$ 1,449,970	\$ 473,719	\$ 2,034,837
Receivables:				
Interest	371	4,805	-	5,176
Prepaid items	<u>8,268</u>	<u>24,583</u>	<u>-</u>	<u>32,851</u>
 Total Current Assets	 <u>119,787</u>	 <u>1,479,358</u>	 <u>473,719</u>	 <u>2,072,864</u>
 Capital assets:				
Machinery and equipment	-	2,707,547	-	2,707,547
Less accumulated depreciation	<u>-</u>	<u>(1,107,091)</u>	<u>-</u>	<u>(1,107,091)</u>
 Total Capital Assets	 <u>-</u>	 <u>1,600,456</u>	 <u>-</u>	 <u>1,600,456</u>
 Total Assets	 <u>119,787</u>	 <u>3,079,814</u>	 <u>473,719</u>	 <u>3,673,320</u>
 <b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	15,955	8,194	40,000	64,149
Accrued payroll	<u>1,314</u>	<u>847</u>	<u>-</u>	<u>2,161</u>
 Total Current Liabilities	 <u>17,269</u>	 <u>9,041</u>	 <u>40,000</u>	 <u>66,310</u>
 <b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	1,600,456	-	1,600,456
Unrestricted	<u>102,518</u>	<u>1,470,317</u>	<u>433,719</u>	<u>2,006,554</u>
 Total Net Assets	 <u>\$ 102,518</u>	 <u>\$ 3,070,773</u>	 <u>\$ 433,719</u>	 <u>\$ 3,607,010</u>

City of Zeeland, Michigan  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2005

	<u>Building Maintenance</u>	<u>Motor Pool</u>	<u>Health Care Self-Insurance</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 351,000	\$ 454,899	\$ 900,000	\$ 1,705,899
Other revenue	<u>-</u>	<u>50</u>	<u>5,864</u>	<u>5,914</u>
Total Operating Revenues	<u>351,000</u>	<u>454,949</u>	<u>905,864</u>	<u>1,711,813</u>
Operating Expenses:				
Supplies and other operating expenses	328,295	210,747	752,102	1,291,144
General and administrative	-	-	12,085	12,085
Depreciation	<u>-</u>	<u>191,563</u>	<u>-</u>	<u>191,563</u>
Total Operating Expenses	<u>328,295</u>	<u>402,310</u>	<u>764,187</u>	<u>1,494,792</u>
Operating Income	<u>22,705</u>	<u>52,639</u>	<u>141,677</u>	<u>217,021</u>
Nonoperating Revenues (Expenses)				
Interest earned	2,768	37,858	1,312	41,938
Gain (loss) on sale of capital assets	<u>-</u>	<u>8,450</u>	<u>-</u>	<u>8,450</u>
Total Nonoperating Revenues (Expenses)	<u>2,768</u>	<u>46,308</u>	<u>1,312</u>	<u>50,388</u>
Income Before Transfers	25,473	98,947	142,989	267,409
Transfers in	<u>-</u>	<u>46,200</u>	<u>-</u>	<u>46,200</u>
Change in Net Assets	25,473	145,147	142,989	313,609
Net Assets - July 1	<u>77,045</u>	<u>2,925,626</u>	<u>290,730</u>	<u>3,293,401</u>
Net Assets - June 30	<u>\$ 102,518</u>	<u>\$ 3,070,773</u>	<u>\$ 433,719</u>	<u>\$ 3,607,010</u>

City of Zeeland, Michigan  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2005

	Building Maintenance	Motor Pool	Health Care Self-Insurance	Total
Cash Flows From Operating Activities:				
Payments to suppliers	\$ (244,514)	\$ (176,183)	\$ (625,642)	\$ (1,046,339)
Payments to employees	(88,351)	(59,264)	-	(147,615)
Received from interfund charges	351,000	454,899	900,000	1,705,899
Other receipts (payments)	-	50	5,864	5,914
Net Cash Provided (Used) By Operating Activities	<u>18,135</u>	<u>219,502</u>	<u>280,222</u>	<u>517,859</u>
Cash Flows From Noncapital Financing Activities:				
Transfers from/to other funds	-	46,200	-	46,200
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(32,925)	-	(32,925)
Proceeds from sale of capital assets	-	8,450	-	8,450
Net Cash Provided (Used) By Capital and Related Financing Activities	-	<u>(24,475)</u>	-	<u>(24,475)</u>
Cash Flows From Investing Activities:				
Interest received on investments	<u>2,397</u>	<u>33,053</u>	<u>1,312</u>	<u>36,762</u>
Net Increase (Decrease) in Cash and Investments	20,532	274,280	281,534	576,346
Cash and Investments - July 1	<u>90,616</u>	<u>1,175,690</u>	<u>192,185</u>	<u>1,458,491</u>
Cash and Investments - June 30	<u>\$ 111,148</u>	<u>\$ 1,449,970</u>	<u>\$ 473,719</u>	<u>\$ 2,034,837</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:				
Operating income	\$ 22,705	\$ 52,639	\$ 141,677	\$ 217,021
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	191,563	-	191,563
Change in assets and liabilities:				
Receivables	-	-	138,545	138,545
Prepaid items	(8,268)	(24,583)	-	(32,851)
Accounts payable	3,296	(447)	-	2,849
Accrued and other liabilities	402	330	-	732
Net Cash Provided (Used) By Operating Activities	<u>\$ 18,135</u>	<u>\$ 219,502</u>	<u>\$ 280,222</u>	<u>\$ 517,859</u>

# STATISTICAL SECTION

City of Zeeland, Michigan  
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES  
AND EXPENDITURES AND OTHER USES BY FUNCTION

Last Ten Fiscal Years

	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002
Revenues and other financing sources:							
Property Taxes	\$ 2,284,014	\$ 2,345,776	\$ 2,556,276	\$ 2,794,853	\$ 3,068,152	\$ 3,148,587	\$ 2,968,779
Licenses and Permits	61,166	65,702	70,718	79,255	73,155	78,243	88,145
State Sources	652,942	650,772	657,573	688,906	678,405	737,705	703,994
Grants	0	12,000	0	25,850	469	0	0
Charges for Services	35,746	43,022	38,905	59,683	54,444	67,414	66,670
Fines and Forfeitures	39,568	39,950	38,400	38,301	40,917	29,229	32,737
Interest	76,349	69,692	74,894	85,872	95,546	158,791	77,685
Other	41,142	15,736	40,920	42,239	20,221	27,663	30,526
Operating Transfers In	206,552	279,761	301,356	409,301	324,593	331,975	345,907
	<u>\$ 3,397,479</u>	<u>\$ 3,522,411</u>	<u>\$ 3,779,042</u>	<u>\$ 4,224,260</u>	<u>\$ 4,355,902</u>	<u>\$ 4,579,607</u>	<u>\$ 4,314,443</u>
Expenditures and other Uses:							
General government	\$ 733,946	\$ 811,570	\$ 816,985	\$ 714,116	\$ 757,038	\$ 809,962	\$ 801,012
Public Safety	631,953	678,015	675,162	772,098	926,054	954,117	1,007,355
Public Works	81,981	114,370	145,724	118,776	243,023	115,666	145,872
Health and Welfare	4,875	3,250	2,310	2,771	2,542	2,670	7,260
Recreation and Culture	63,996	76,859	82,109	90,508	95,067	99,101	106,183
Insurance, Bonds, and Fringes	307,100	329,293	322,323	337,906	380,109	433,146	510,934
Capital Outlay	40,342	137,311	45,692	21,696	35,764	24,870	23,855
Operating Transfers Out	1,328,000	1,349,000	1,564,750	1,957,200	1,786,000	2,326,200	1,362,840
	<u>\$ 3,192,193</u>	<u>\$ 3,499,668</u>	<u>\$ 3,655,055</u>	<u>\$ 4,015,071</u>	<u>\$ 4,225,597</u>	<u>\$ 4,765,732</u>	<u>\$ 3,965,311</u>

TABLE 1

FY2003	FY2004	FY2005
\$ 3,289,293	\$ 4,210,780	\$ 4,108,392
79,548	103,610	199,632
745,664	578,090	571,833
6,000	0	0
49,768	55,403	57,052
24,556	36,222	34,924
40,060	103,664	109,216
22,522	68,544	29,244
346,704	368,002	355,880
<u>\$ 4,604,115</u>	<u>\$ 5,524,315</u>	<u>\$ 5,466,173</u>

\$ 903,175	\$ 1,033,348	\$ 1,065,058
1,130,836	1,171,332	1,183,683
151,140	175,482	200,998
0	58,176	51,129
99,958	112,213	105,579
618,450	617,464	667,249
18,420	0	0
1,692,130	1,960,478	2,195,200
<u>\$ 4,614,109</u>	<u>\$ 5,128,493</u>	<u>\$ 5,468,896</u>

City of Zeeland, Michigan  
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

TABLE 2

Tax Year	Fiscal Year Ended June 30	Tax Levy	Collections to March 1 Year Following Levy	Percent Collected	Collections to June 30	Percent Collected to June 30
1995	1996	\$ 2,430,385	\$ 2,384,220	98.1%	\$ 2,430,360	99.9%
1996	1997	2,505,218	2,465,376	98.4%	2,501,630	99.9%
1997	1998	2,730,310	2,694,707	98.7%	2,727,180	99.9%
1998	1999	3,319,686	3,279,905	98.8%	3,318,273	99.9%
1999	2000	3,743,299	3,679,261	98.3%	3,740,348	99.9%
2000	2001	3,576,921	3,530,072	98.7%	3,569,044	99.8%
2001	2002	3,734,589	3,645,380	97.6%	3,715,258	99.5%
2002	2003	4,228,641	4,105,362	97.2%	4,159,407	98.4%
2003	2004	4,184,440	4,130,234	98.7%	4,163,708	99.5%
2004	2005	4,258,538	4,236,923	99.5%	4,257,954	99.99%



City of Zeeland, Michigan  
ASSESSED, TAXABLE AND EQUALIZED VALUATIONS OF TAXABLE PROPERTY

Last Ten Fiscal Years

TABLE 3

Fiscal Year Ended June 30	Real Property			Personal Property			Total		
	Taxable	Assessed	Equalized	Taxable	Assessed	Equalized	Taxable	Assessed	Equalized
1996	\$ 113,491,400	\$ 115,848,800	\$ 115,848,800	\$ 37,465,900	\$ 37,565,600	\$ 37,565,600	\$ 150,957,300	\$ 153,414,400	\$ 153,414,400
1997	119,495,639	121,886,000	121,886,000	40,487,102	41,367,500	41,367,500	159,982,741	163,253,500	163,253,500
1998	128,601,266	136,441,000	136,441,000	44,878,318	45,103,850	45,103,850	173,479,584	181,544,850	181,544,850
1999	138,925,187	152,407,600	152,407,600	45,829,000	45,829,000	45,829,000	184,754,187	198,236,600	198,236,600
2000	146,275,373	166,665,000	166,665,000	47,399,000	47,399,000	47,399,000	193,674,373	214,064,000	214,064,000
2001	153,749,163	175,814,200	175,814,200	47,733,900	47,733,900	47,733,900	201,483,063	223,548,100	223,548,100
2002	163,312,393	186,640,200	186,640,200	50,136,800	50,136,800	50,136,800	213,449,193	236,777,000	236,777,000
2003	172,485,944	201,240,400	201,240,400	49,387,300	49,387,300	49,387,300	221,873,244	250,627,700	250,627,700
2004	179,679,963	214,320,600	214,320,600	48,309,000	48,309,000	48,309,000	227,988,963	262,629,600	262,629,000
2005	184,345,185	214,738,800	214,738,800	47,012,900	47,012,900	47,012,900	231,358,085	261,751,700	261,751,700

NOTE: Does not include industrial & commercial facilities SEV

Fiscal Year		Equalized	Taxable
1996	Act 198 & 255	62,208,939	62,208,939
1997	Act 198 & 255	93,426,800	93,426,800
1998	Act 198 & 255	105,985,300	103,504,772
1999	Act 198 & 255	104,378,900	103,049,987
2000	Act 198 & 255	115,427,000	108,625,833
2001	Act 198 & 255	116,920,200	111,120,870
2002	Act 198 & 255	157,652,000	152,378,839
2003	Act 198 & 255	230,045,500	228,148,141
2004	Act 198 & 255	280,411,200	279,080,713
2005	Act 198 & 255	286,191,900	285,358,100

City of Zeeland, Michigan  
PROPERTY TAX RATES PER \$1,000 STATE EQUALIZED VALUATION  
FOR DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

TABLE 4

Fiscal Year Ended June 30*	CITY					SCHOOL			
	Operating	Streets	Debt	Total	Operating	Debt	State	Total	
							Education Tax		
1996 **	H	13.3500	0.0000	0.9500	14.3000	1.0000	5.6300	6.0000	12.6300
1996	NH	13.3500	0.0000	0.9500	14.3000	19.0000	5.6300	6.0000	30.6300
1997	H	13.0000	0.0000	0.8500	13.8500	1.0000	5.6300	6.0000	12.6300
1997	NH	13.0000	0.0000	0.8500	13.8500	19.0000	5.6300	6.0000	30.6300
1998	H	13.0000	0.0000	0.8500	13.8500	0.9975	5.6300	6.0000	12.6275
1998	NH	13.0000	0.0000	0.8500	13.8500	18.9975	5.6300	6.0000	30.6275
1999	H	13.0000	2.0000	0.8500	15.8500	1.3922	5.6300	6.0000	13.0222
1999	NH	13.0000	2.0000	0.8500	15.8500	19.3922	5.6300	6.0000	31.0222
2000	H	12.2500	2.0000	0.8500	15.1000	1.3936	6.6300	6.0000	14.0236
2000	NH	12.2500	2.0000	0.8500	15.1000	19.3936	6.6300	6.0000	32.0236
2001	H	12.1500	1.9858	0.7500	14.8858	1.3816	6.6300	6.0000	14.0116
2001	NH	12.1500	1.9858	0.7500	14.8858	19.3816	6.6000	6.0000	31.9816
2002	H	10.1500	1.9858	0.7500	12.8858	1.3774	6.6300	6.0000	14.0074
2002	NH	10.1500	1.9858	0.7500	12.8858	19.3774	6.6300	6.0000	32.0074
2003	H	9.8500	1.9852	0.5500	12.3852	1.3665	6.6300	6.0000	13.9965
2003	NH	9.8500	1.9852	0.5500	12.3852	19.3665	6.6300	6.0000	31.9965
2004	H	10.8354	-	0.5500	11.3854	1.3710	6.6300	5.0000	13.0010
2004	NH	10.8354	-	0.5500	11.3854	19.3710	6.6300	5.0000	31.0010
2005	H	10.8854	-	0.5000	11.3854	1.4000	6.6300	6.0000	14.0300
2005	NH	10.8854	-	0.5000	11.3854	19.4000	6.6300	6.0000	32.0300

Fiscal Year Ended June 30*	COUNTY		INTERMEDIATE SCHOOL DISTRICT				GRAND TOTAL
	Ottawa County		Intermediate School	Special Education	Vocational Education	Total	
1996 **	H	4.8990	0.1108	2.2770	1.0852	3.4730	35.3020
1996	NH	4.8990	0.1108	2.2770	1.0852	3.4730	53.3020
1997	H	4.7165	0.1108	2.2770	1.0852	3.4730	34.6695
1997	NH	4.7165	0.1108	2.2770	1.0852	3.4730	52.6695
1998	H	4.6985	0.1106	2.2727	1.0831	3.4664	34.6424
1998	NH	4.6985	0.1106	2.2727	1.0831	3.4664	52.6424
1999	H	4.4804	0.1104	2.2677	1.0807	3.4588	36.8114
1999	NH	4.4804	0.1104	2.2677	1.0807	3.4588	54.8114
2000	H	4.3812	0.1096	3.1523	1.0734	4.3353	37.8401
2000	NH	4.3812	0.1096	3.1523	1.0734	4.3353	55.8401
2001	H	4.3760	0.1087	3.1265	1.0647	4.2999	37.5733
2001	NH	4.3760	0.1087	3.1265	1.0647	4.2999	55.5433
2002	H	4.2722	0.1087	3.1265	1.0502	4.2854	35.4508
2002	NH	4.2722	0.1087	3.1265	1.0502	4.2854	53.4508
2003	H	4.1672	0.1078	3.1040	1.0570	4.2688	34.8177
2003	NH	4.1672	0.1078	3.1040	1.0570	4.2688	52.8177
2004	H	4.1611	0.1068	3.0762	1.0475	4.2305	32.7780
2004	NH	4.1611	0.1068	3.0762	1.0475	4.2305	50.7780
2005	H	4.2593	0.1065	3.0680	1.0447	4.2192	33.8939
2005	NH	4.2593	0.1065	3.0680	1.0447	4.2192	51.8939

\* Fiscal year for Ottawa County begins January 1

\*\* H = Homestead Properties

NH = Non-Homestead Properties

City of Zeeland, Michigan  
PROFILE OF TEN LARGEST PROPERTY TAXPAYERS

TABLE 5

PROFILE OF TEN LARGEST PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Principal Product/Service</u>	<u>2005 Taxable Valuation *</u>	<u>% of 2005 Taxable Valuation*</u>
Mirant Zeeland LLC	Power Generation	\$ 165,289,515	31.39%
Mead Johnson	Infant Formula	56,582,552	10.75%
Gentex Corporation	Automotive and Glass Parts	53,921,212	10.24%
Herman Miller, Inc.	Institutional Furniture	23,170,749	4.40%
ITW Drawform	Stamping Operations	10,325,600	1.96%
Innotec Corp	Automotive Parts	6,146,506	1.17%
Howard Miller Clock Co.	Grandfather and Wall Clocks	5,773,000	1.10%
ODL Inc	Door Lights and Skylights	5,543,669	1.05%
Plascore, Inc	Structural Honeycomb Products	5,205,192	0.99%
Zeeland Chemicals, Inc	Chemicals	4,497,335	0.85%
Total Taxable Assessed Value of 10 Largest Taxpayers		336,455,330	63.90%
Total Taxable Assessed Value of all Other Taxpayers		190,110,683	36.10%
Total Taxable Assessed Value of all Taxpayers **		\$ 526,566,013	100.0 %

\* Taxable Value as 12/31/04. Includes ad valorem and the value of IFT's granted under Act 198

Source: City of Zeeland

City of Zeeland, Michigan  
PROFILE OF TEN LARGEST EMPLOYERS

TABLE 6

PROFILE OF TEN LARGEST PROPERTY EMPLOYERS

<u>Taxpayer</u>	<u>Principal Product/Service</u>	<u>City of Zeeland Employees</u>
Herman Miller, Inc.	Institutional Furniture	2,545
Gentex Corporation	Automotive and Glass Parts	2,170
Zeeland Public Schools	Elementary/Secondary Education	675
Zeeland Community Hospital	Hospital/Health Services	477
Howard Miller Clock Co.	Grandfather and Wall Clocks	505
Woodward Governor Co.	Airline Fuel Systems	400
ODL Inc	Door Lights and Skylights	375
ITW Drawform	Stamping Operations	280
Mead Johnson	Infant Formula	367
Haven Park Christian Nursing Home	Senior Health Care	210

Source: City of Zeeland

City of Zeeland, Michigan  
SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

TABLE 7

Fiscal Year Ended June 30	Current Assessments Due	Current and Deferred Collections	Percentage of Collection to Amount Due	Total Outstanding Assessments
1995	\$ 127,210	\$ 130,453	102.54	\$ 425,274
1996	152,756	152,756	100.00	508,519
1997	139,256	139,256	100.00	369,263
1998	106,732	163,054	152.77	206,209
1999	64,716	59,916	92.58	244,288
2000	64,716	117,997	182.33	126,291
2001	53,272	53,272	100.00	73,018
2002	27,307	27,307	100.00	45,711
2003	27,788	27,788	100.00	17,923
2004	8,701	8,701	100.00	9,221
2005	9,221	9,221	100.00	0

City of Zeeland, Michigan  
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005

TABLE 8

STATE EQUALIZED VALUATION\*

\$ 261,751,700

	Actual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Available Legal Debt Margin
General obligation debt	\$ 2,800,000	10%	\$ 26,175,170	\$ 23,375,170
Emergency bonds	0	3/8%	981,569	984,861
Special assessment bonds	0	12%	31,410,204	31,515,552
Total Debt Subject to Statutory Limitation	2,800,000		<u>\$ 58,566,943</u>	<u>\$ 55,875,583</u>
Debt not subject to limitation	<u>14,355,000</u>			
TOTAL DEBT	<u>\$ 17,155,000</u>			

\*State Equalized Valuation does not include the value of tax-exempt property (e.g. governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, which amounts to \$286,191,100.

NOTE: The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the state equalized valuation of taxable property in the city (\$261,751,700), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood, or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage and garbage disposal systems.

The Michigan State Bond Act provided that the total debt in special assessment bonds, which would require that the city pledge its faith and credit, shall not exceed 12% of the assessed valuation of taxable property of the city, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

City of Zeeland, Michigan  
RATIO OF NET BONDED DEBT  
TO STATE EQUALIZED VALUE AND PER CAPITA

Last Ten Fiscal Years

TABLE 9

Fiscal Year Ended June 30	Population	State Equalized Value	Gross Bonded Debt	Debt Service Monies Available	Self Supporting Debt	Net Bonded Debt
1996	5,417	\$ 153,414,400	\$ 26,460,000	\$ 1,035,081	\$ 16,876,667	\$ 8,548,252
1997	5,417	163,253,500	24,175,000	998,966	16,343,034	6,833,000
1998	5,417	181,544,850	22,957,375	904,911	17,142,619	4,909,845
1999	5,417	198,236,600	23,440,000	1,062,365	18,669,697	3,707,938
2000	5,805	214,064,000	22,190,000	1,121,658	17,565,566	3,502,776
2001	5,805	223,548,100	25,165,000	1,339,771	20,515,900	3,309,329
2002	5,805	236,777,000	23,730,000	1,382,451	19,214,499	3,133,050
2003	5,805	250,627,700	19,705,000	1,915,160	14,795,768	2,994,072
2004	5,805	262,629,600	18,525,000	1,752,259	13,877,552	2,895,189
2005	5,805	261,751,700	17,155,000	1,754,259	12,701,649	2,699,092

Fiscal Year Ended June 30	% of Net Bonded Debt to State Equalized Value	Net Bonded Debt Per Capita
1996	5.57	1578
1997	4.19	1261
1998	2.70	906
1999	1.87	684
2000	1.64	603
2001	1.48	570
2002	1.32	540
2003	1.19	516
2004	1.10	499
2005	1.03	465

City of Zeeland, Michigan  
 RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT  
 TO TOTAL GENERAL FUND EXPENDITURES

Last Ten Fiscal Years

TABLE 10

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Expenditures
1996	\$ 215,000	\$ 246,282	\$ 461,282	\$ 3,192,193	14.45%
1997	250,000	220,368	470,368	3,499,668	13.44
1998	275,000	204,421	479,421	3,655,055	13.12
1999	305,000	157,364	462,364	4,015,071	11.52
2000	175,000	200,735	375,735	4,225,597	8.89
2001	190,000	169,022	359,022	4,765,732	7.53
2002	145,000	159,285	304,285	3,965,311	7.67
2003	155,000	152,408	307,408	4,614,109	6.66
2004	195,000	120,881	315,881	5,128,493	6.16
2005	230,000	111,921	341,921	5,468,896	6.25



City of Zeeland, Michigan  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2005

TABLE 11

<b>DIRECT DEBT:</b>		
General obligation bonds	\$	2,800,000
Michigan transportation bonds		115,000
Electric revenue bonds		5,305,000
Water revenue bonds		8,935,000
Clean Water revenue bonds		<u>0</u>
		17,155,000
 <b>Less:</b>		
Funds for general obligation principal	\$	100,908
Michigan transportation bonds		115,000
Revenue bonds		<u>14,240,000</u>
		14,455,908
 Net Direct Debt		 2,699,092
 <b>OVERLAPPING DEBT:</b>		
2.88% of Ottawa County Debt	\$	480,816
2.54% of Ottawa Intermediate School District		198,501
24.18% of Zeeland Public School District debt		<u>25,214,904</u>
 Overlapping Debt		 <u>25,894,221</u>
 NET DIRECT AND OVERLAPPING DEBT		 <u>\$ 28,593,313</u>

	Per Capita Debt	Percentage of Debt to State Equalized Value
Net direct debt	\$ 465	1.03%
Net direct and overlapping debt	4,927	10.92%

City of Zeeland, Michigan  
SCHEDULE OF REVENUE BOND COVERAGE - ELECTRIC UTILITY FUND

Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1996	\$ 12,001,728	\$ 9,282,978	\$ 2,718,750	\$ 350,000	\$ 444,146	\$ 794,146	3.42
1997	12,655,733	10,039,626	2,616,107	370,000	419,474	789,474	3.31
1998	13,416,346	10,389,527	3,026,819	395,000	399,756	794,756	3.81
1999	14,235,358	11,000,287	3,235,071	425,000	375,985	800,985	4.04
2000	14,406,969	9,825,028	4,581,941	470,000	373,681	843,681	5.43
2001	15,108,735	11,103,177	4,005,558	505,000	351,089	856,089	4.67
2002	15,772,181	11,524,227	4,247,954	530,000	330,089	860,089	4.93
2003	16,328,342	12,235,926	4,092,416	560,000	308,559	868,559	4.71
2004	16,206,496	12,374,279	3,832,217	665,000	176,192	841,192	4.56
2005	17,965,115	14,276,920	3,688,195	660,000	181,392	841,392	4.38

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total expenses include operating expenses and operating transfers, exclusive of depreciation and interest.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan  
SCHEDULE OF REVENUE BOND COVERAGE - WATER UTILITY FUND

Last Ten Fiscal Years

TABLE 13

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1996	\$ 2,078,094	\$ 981,795	\$ 1,096,299	\$ 70,000	\$ 245,209	\$ 315,209	3.48
1997	2,245,990	1,033,883	1,212,107	165,000	382,844	547,844	2.21
1998	2,340,650	1,153,414	1,187,236	210,000	372,415	582,415	2.04
1999	2,264,854	1,345,720	919,134	220,000	360,739	580,739	1.58
2000	2,394,355	1,509,948	884,407	235,000	348,250	583,250	1.52
2001	2,655,265	1,574,846	1,080,419	250,000	321,013	571,013	1.89
2002	3,034,104	1,352,201	1,681,903	360,000	566,898	926,898	1.81
2003	3,225,744	1,513,949	1,711,795	420,000	502,448	922,448	1.86
2004	3,074,877	1,583,390	1,491,487	465,000	467,643	932,643	1.60
2005	3,369,382	1,577,604	1,791,778	480,000	445,905	925,905	1.94

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total expenses include operating transfers, exclusive of depreciation and interest.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan  
SCHEDULE OF REVENUE BOND COVERAGE - CLEAN WATER UTILITY FUND

Last Ten Fiscal Years

TABLE 14

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1996	\$ 1,237,325	\$ 548,241	\$ 689,084	\$ 90,000	\$ 99,904	\$ 189,904	3.63
1997	1,355,674	635,421	720,253	95,000	94,922	189,922	3.79
1998	1,484,712	639,118	845,594	100,000	91,186	191,186	4.42
1999	1,662,573	725,010	937,563	150,000	183,850	333,850	2.81
2000	1,483,392	666,804	816,588	345,000	175,068	520,068	1.57
2001	1,918,836	658,452	1,260,384	350,000	159,588	509,588	2.47
2002	2,185,903	699,486	1,486,417	370,000	143,114	513,114	2.90
2003	1,663,463	742,015	921,448	395,000	117,196	512,196	1.80
2004	1,470,789	866,930	603,859	0	0	0	N/A
2005	1,825,416	834,523	990,893	0	0	0	N/A

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total operating expenses include operating transfers, exclusive of depreciation.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

TABLE 15

Fiscal Year Ended June 30	State Equalized Value	Construction		Bank Deposits (1) (In Thousands)
		No. Permits	Estimated Value	
1996	\$ 153,414,400	238	\$ 16,349,689	\$ 473,335
1997	163,253,500	263	9,701,569	532,877
1998	181,544,850	293	9,055,202	522,404
1999	198,236,600	295	19,978,873	451,652
2000	214,064,000	268	13,481,821	361,503
2001	223,548,100	318	12,331,486	307,490
2002	236,777,000	270	5,780,583	298,402
2003	250,627,700	222	14,345,093	401,143
2004	262,690,000	215	4,255,569	431,295
2005	261,751,700	253	13,969,385	504,070

Bank deposits as of June 30, for banks and savings and loan associations located in Zeeland:

Chemical Bank Shoreline  
Byron Bank  
National City Bank of the MW  
Fifth Third Bank  
Huntington National Bank  
Macatawa Bank  
National City Bank

Source: Federal Deposit Insurance Corporation

City of Zeeland, Michigan  
TAX INFORMATION

June 30, 2005

Table 16

ASSESSED:	Tax assessments are determined as of tax day, December 31.
LIEN ON PROPERTY:	Personal property taxes become a lien and are payable on January 1, however, they are billed on July 1 and December 1. City, local school, and intermediate school taxes are levied July 1. County taxes are levied December 1. Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed.
PAYABLE:	Taxes billed July 1 are due August 15. Taxes billed December 1 are due February 14. Taxes are collected at the office of city treasurer.
DELINQUENT:	Real property taxes become delinquent on March 1 and are returned to the county treasurer for collection. Ottawa County operates a Delinquent Tax Revolving Fund which forwards delinquent tax monies to local jurisdictions. Delinquent personal property taxes are collected by the city treasurer. Uncollectible personal property taxes are stricken from the tax rolls upon petition to the Circuit Court when uncollectible for a period of five years from date of levy.
PENALTIES:	A 2% administration fee is assessed on the July 1 tax roll against all taxes remaining unpaid after August 15. Interest at the rate of 3/4 percent per month is assessed on August 15, September 1, October 1, and November 1. Taxes remaining unpaid as of November 1 are rebilled on the December 1 tax roll. Taxes collected by the city treasurer after February 14 are subject to a 3% penalty. Taxes returned delinquent to the county treasurer on March 1 are subject to a 4% collection fee and 1% per month interest.
TAX ABATEMENT:	<p>The state equalized value does not include valuation of certain facilities which are exempt under Act 198, Public Acts of 1974 or Act 255, Public Acts of 1978. The Acts are designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan.</p> <p>An Industrial or Commercial Facilities Exemption Certificate entitles the facility to exemption from ad valorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax, the firm will pay a specific tax. Renovated facilities are taxed at the full millage rate based on the assessed valuation prior to the improvements. New facilities are taxed at one half rate levied on assessments which are determined annually based on true cash value.</p> <p>The City of Zeeland has established goals, objectives, and procedures to provide opportunity for industrial and commercial development and expansion using the Acts. A number of districts have been approved totaling \$286,191,900 in FY2005 or 52.2 % of the total state equalized valuation.</p>
CITY TAXATION AND LIMITATION:	<p>The city's tax rate is limited by City Charter. The State Home Rule Act allows a city charter to authorize up to a 20 mill tax levy, and the City of Zeeland, by its charter, is authorized to levy a maximum of 15 mills for operating purposes.</p> <p>In November 1978, the electorate of the State of Michigan passed an amendment to the State Constitution which places certain limitations on increases of taxes by the state and political subdivisions from currently authorized levels of taxation. The amendment does not limit taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding at the time they became effective or which have been approved by the electors of the state or such political subdivisions.</p>

City of Zeeland, Michigan  
ECONOMIC AND STATISTICAL DATA

June 30, 2005

TABLE 17

AREA:	3 square miles		
FORM OF GOVERNMENT:	Council-Manager (7 council members) Incorporated as a city in 1907		
PRESENT CHARTER:	Adopted June 27, 1967 (effective July 1, 1967)		
FISCAL YEAR BEGINS:	July 1		
NUMBER OF CITY EMPLOYEES:	64 full-time; 86 part-time/part-paid		
FIRE PROTECTION:	2 stations, 26 volunteer firemen, 2-way radios, 6 municipality mutual aid agreements		
POLICE PROTECTION:	1 station, 7 full-time policemen & Police Chief, 4 part-time, 14 reserves, 2-way Radio equipment		
PARKING:	3 unmetered lots -- 166,700 sq. ft. 3 leased lots -- 71,500 sq. ft.		
STREETS:	29.36 miles		
STORM SEWERS:	15.50 miles		
ELECTRIC UTILITY:	Customer Accounts:		
	Residential		4,920
	Commercial/Industrial		710
	Street Lights		120
	M.W.H. generated and purchased		307,608
	M.W.H. sold		286,370
	Revenues from sales		\$17,093,517
WATER UTILITY:	Customer Accounts:		
	Residential		2,232
	Commercial/Industrial		386
	Million gallons pumped		1,367
	Million gallons sold		1,299
	Revenues from sales		\$3,128,092
CLEAN WATER:	Customer Accounts:		
	Residential		2,172
	Commercial/Industrial		329
	Miles of collection system		37
	Major lift stations		7
	Treated effluent		429 million gallons
	Residuals		1.820 million gallons
	Revenues from user charges		\$1,548,347
RECREATION:	8 parks (37.9 acres) 4 playgrounds 1 community center 1 library 6.25 miles bike trails		
POPULATION GROWTH:	Official U.S. Census	1950	3,075
		1960	3,702
		1970	4,734
		1980	4,723
		1990	5,417
		2000	5,805